

BANKING

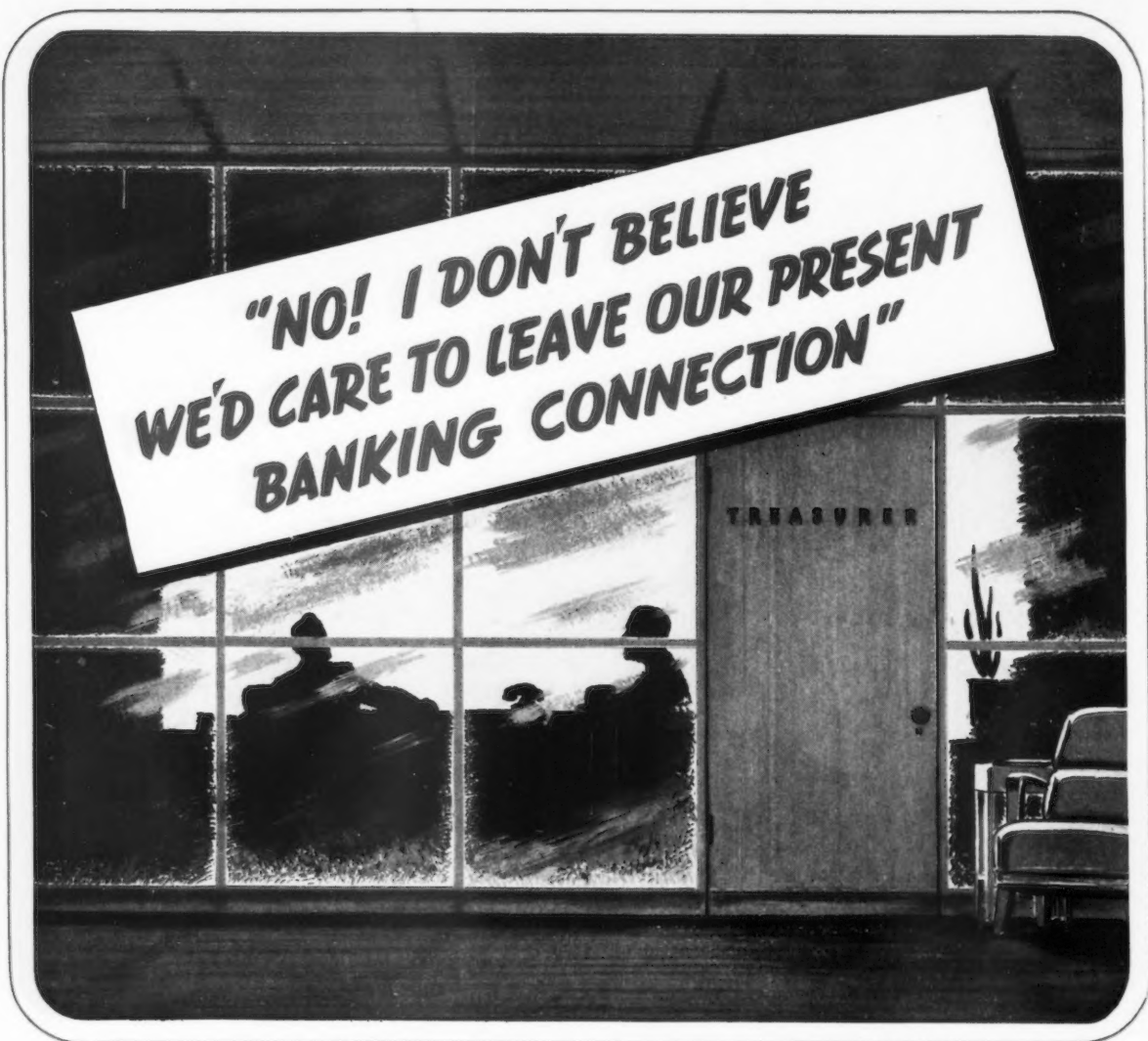
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

A P R I L I 9 4 0

IT'S TIME TO GET BUSINESS.....19

THE CONDITION OF BUSINESS.....	I
KNOW WHAT YOUR BANK HAS TO SELL.....	PICTURES.....21
BANKING'S PROBLEMS AND THE COUNTRY'S ARE THE SAME.....	PICTURES.....22
THE TRUST INDENTURE ACT.....	HENRY A. THEIS.....25
INVESTMENT OBJECTIVES.....	E. SHERMAN ADAMS.....26
SMALL HOMES IN 1940.....	PICTURES.....28
BUILDING MATERIALS (A SURVEY).....	29
CHECKS OF FAMOUS AMERICANS.....	PICTURES.....31
THE FUTURE OF FARM CREDIT.....	E. M. EHRHARDT.....32
WILLIAM PENN'S REAL ESTATE.....	PICTURES.....34
NO PLACE TO PUT 'IM.....	DOUGLAS GOLD.....36
SHOW SAFE DEPOSIT SERVICE.....	KENNETH W. MURRAY.....37
A BANK'S MODERN TOOLS—III.....	E. S. WOOLLEY.....38
"BANK NOTES" TAKES A BOW.....	PICTURES.....41
WE ARE PLEASED TO PRESENT.....	PICTURES.....42
MASSACHUSETTS THRIFT.....	PICTURES.....44
A PICTURE OF BANK ADVERTISING.....	CHARTS.....46
PAYING AND RECEIVING (SIMPLIFIED FORMS).....	49
NEWS PAPER AND CALENDAR.....	54
TOURISTS WELCOME.....	MAURICE F. BLOUIN.....58
THE CHILDREN'S CRUSADE.....	DOROTHY C. FISHER.....70
BANKING'S DIGEST.....	89
• A PROGRAM FOR STATE BANK SUPERVISION.....	ROBERT M. HANES.....89

WASHINGTON 3 • NOTES ON NEW BOOKS 6 • JUST A MINUTE 13 • THE LEGAL ANSWER PAGE
40 • METHODS AND IDEAS 60 • HEARD ALONG MAIN STREET 74 • ASK BANKING 80 • BANK
LETTERS 85 • INSTALMENT LOANS IN CALIFORNIA 87 • A PRIMER OF BANK ADVERTISING 88



UNLESS your bank is in an unusual position, your best customers are solicited from time to time by other banks—either local institutions or those in larger banking centers.

The real test of your customer relations occurs when the officer of another bank, after his campaign of cultivation, comes to the point and asks for the account.

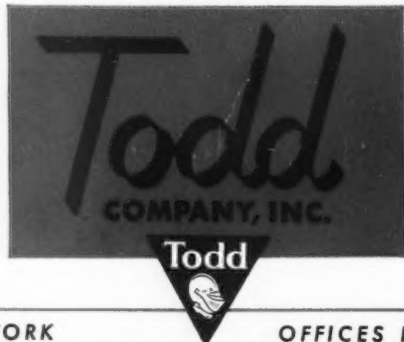
Then, does your customer waver and agree to change?

Or does he say, "We wouldn't give up our present banking connection. They've handled our

account most satisfactorily!"

It takes more than one factor to establish customer loyalty, for good will is the cumulative result of many favorable impressions. Your checks are a definite asset or liability in this formative process.

Certainly Todd Super-Safety checks—their appearance, quality and writing surface, their exclusive protective features, and the service which surrounds them—make a substantial contribution to any bank's program for building good will.



ROCHESTER, NEW YORK

OFFICES IN ALL PRINCIPAL CITIES

The Condition of BUSINESS

POLITICAL NEUTRALITY. The business outlook is still on the favorable side, but not enough to be convincing. The usual uncertainties of an election year are present but business today is to a large degree politically neutral. Its concern is almost entirely with economic principles instead of parties.

WAITING. The chief obstacle to a better trend at the moment is that trade and industry are taking their cue from the front pages and are waiting for an answer to the questions: How will the war affect our domestic situation—especially the political part of it? Will the unsettled state of foreign affairs make us forget our own serious problems? How long will Government-by-bureau continue to cause, directly and indirectly, most of the difficulties faced by business?

ISOLATED PROSPERITY. We are beginning to realize that it will be hard to build a recovery paradise inside our own tight boundaries, regardless of what happens abroad. We cannot hope to be an island of peace and prosperity surrounded by war and political disorder.

With the whole tendency abroad running strongly toward concentration of economic control in governmental hands, there is understandable anxiety as to how long we can avoid the same influences and maintain a competitive position.

TWICE BURNED. By means of a central bank to serve the two continents of this hemisphere, and by loans to non-belligerents and by purchases of gold and silver at more than the metals are worth and by all kinds of financial make-believe, we can doubtless find ways to furnish our customers with the money to buy our products. Most of these devices are temporary and shortsighted expedients at best and there will always remain the problem of either collecting the debt in gold or squaring accounts by purchasing goods from the debtors.

In any case, we are now looking for some way to repeat through the Treasury what we tried before by private financing, only to discover that it was a mistake. In the long run the process closely resembles buying our own goods and shipping them overseas as a gift.

CROSS INDEX. BANKING's index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, compared with the previous month, is slightly less favorable, although 79 per cent of the replies indicate that business is either holding its own or improving.

Thirty-nine per cent of those polled for the purpose of this summary said that business was getting better, 40 per cent found conditions about static and 21 per cent reported a decline. The month before, 47 per cent said that the direction was up, 33 per cent reported that their respective enterprises were holding their own, and 20 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 65, compared with 70 last month.

HOW TO RECOVER. Prescriptions for recovery differ, but almost always include the following ingredients:

1. The removal of restrictions on investments so that new capital can be more easily obtained and the flow of risk money into new enterprises can be facilitated.
2. The elimination of one-sided labor laws and regulations which hamper management and discourage new undertakings.
3. The ending of competition between the Government and private industry, particularly in public utility and banking fields.

EYE-WITNESS REPORT. At the risk of stirring wistful recollections, here are a few eye-witness reports of how the last real recovery got under way, taken directly from the newspapers at a critical time in 1924. The miracle was accomplished without the aid of Providence or mirrors.

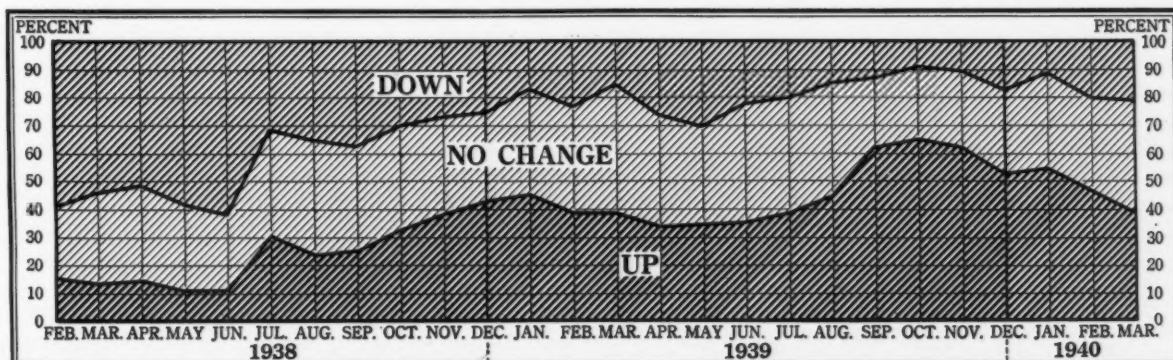
"Broad Upward Movement in Stock Market . . . Steel Common Returns to Position of Leadership as Uncertainty Over Election Results Is Discarded . . . See Bright Steel Outlook . . .

"Little Profit Taking . . . Despite the advance in prices for the two preceding days, the market yesterday continued its pre-election rise. Brokers reported a substantial volume of weekend profit taking, but this was so well absorbed that it did not prevent several important issues from making new highs for the current move, including such pivotal stocks as United States Steel, American Can and United States Cast Iron Pipe. Wall Street is becoming more and more convinced of the election of President Coolidge and believes . . . the country is entering on a period of greater prosperity.

"Election Vote Stimulating to Business . . . Quick Response on Stock Exchange Reflected in the Other Commodity Markets; Stronger Basic Conditions Now Prevail . . . Stock Advance Continues on Smaller Volume."

WILLIAM R. KUHN

BANKING'S cross section poll from its inception



THREE KINDS OF MONEY EVERY GOOD PROVIDER NEEDS



HAVE YOU EVER stopped to realize that—to be a good provider—you really need three kinds of money?

When emergencies strike, you need money that can spring into action immediately—dollars instantly available in a bank account.

To be prepared against untimely death, you need money that will take your place in providing for your family. Such money can be provided through the medium of life insurance.

If you are like most people, you have already seen the need for these two kinds of money. One out of every 3 families in this country has a savings account. One out of every 2 has life insurance.

But in the world we live in today, more than ever before, people are conscious of the need for a *third* kind of money... the need for a reserve of dollars to be accumulated, step by step, to remain *untouched* during a man's years of earning power.

This kind of money makes you a good provider for yourself and your family when your working days are done.

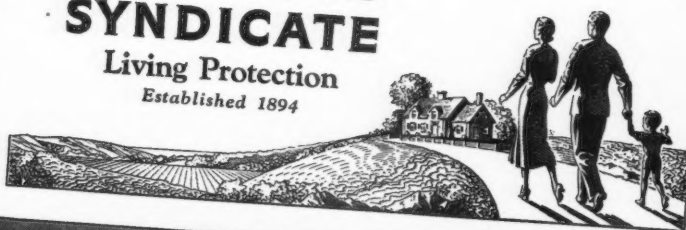
*** The First Step ***

The first and most important step toward the solution of a man's money problems is to find out *where your money goes*. Keeping a record of what you spend is essential if you want to make the most of your income.

To help you take this first, important step, Investors Syndicate offers, without obligation, "Living Expenses"... a simple, easy way to find out where your money goes. This is *not* a budget book. For your free copy, write Investors Syndicate, Dept. B-40, Minneapolis, Minnesota.

INVESTORS SYNDICATE

Living Protection
Established 1894



This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.

WASHINGTON

F.D.I.C. Proposal

A CONGRESSMAN continuously since 1915, Representative Steagall of Alabama sits on one Committee and is its chairman—the House Committee on Banking and Currency. Mr. Steagall is author of a pending bill which would increase to \$10,000 from the present \$5,000 the insurance on deposits of member banks of the F.D.I.C., would lower the assessment rate from 1/12 of 1 per cent to 1/14 of 1 per cent of total deposits, and would remove the Comptroller General from the F.D.I.C. This bill, which has wide banking support and which the Congressman expects to see passed by this session of Congress, would reduce the F.D.I.C.'s income by about \$6,300,000 per annum, or by about one-seventh.

As one of the most outspoken friends of the small country banker in Washington, Congressman Steagall was a leader in the fight over the unsuccessful provision of the F.D.I.C. act which would have forced all members of the F.D.I.C. to be members of the Federal Reserve System. Had that provision gone through, many southern and mid-western banks would have had to give up making an exchange charge on out-of-town checks.

* * *

The F.D.I.C. is a \$450,000,000 insurance fund, and by July 1, 1941, its total assets will exceed \$500,000,000. This is the estimate of its chairman, Leo T. Crowley, a soft-spoken, white-haired Wisconsin who made his way up from a small grocery store to his present powerful position.

The chairman, like his staff, is indifferent to the Steagall proposal to increase deposit coverage to \$10,000, since this will probably make little difference in the F.D.I.C.'s total outlays. He does not favor, however, reduction at this time in the F.D.I.C.'s income, as provided in the Steagall bill, because he feels that the country's experience with deposit insurance has been too short and has been limited almost entirely to a period of "recovery". He holds that a reserve of half a billion dollars, while large of itself, is

not too large when one reflects that, during the 12 years preceding the F.D.I.C., losses to depositors in closed banks approximated \$1,500,000,000.

Recently Mr. Crowley was elected to the board of directors of the Standard Gas and Electric Company, a \$1,000,000,000 holding company.

Inter-American Bank

The organization of the Inter-American Bank is assured by the subscription of the required minimum of 145 shares, equivalent to \$14,500,000, by the United States, Mexico, Colombia, Panama, Guatemala, Ecuador and Costa Rica as the original sponsors. Practically all Latin America is expected to go into the concern as soon as the necessary legislation can be passed in the several countries. As a commentary on the need of the bank it appears that several of the governments are having some difficulty in raising the funds to pay for their capital allotments.

Gold

"I do not believe that this country in our time will return to the so-called automatic gold standard of currency," states Chester C. Davis, member of the Board of Governors of the Federal Reserve System. Congress should at this time "re-examine the country's monetary and credit and banking structure, and in so far as the Federal field now extends, work at a more rational and effective set-up than now exists," he holds, thereby supporting the resolution adopted by the Senate last year, calling for a thorough study by the Banking and Currency Committee.

To some conservative bankers, Mr. Davis' views on money may seem leftist. To some monetary liberals he must appear an outright conservative. He flatly rejects the Warren theory that gold is a controller of commodity prices. If we lowered the price of gold, Mr. Davis convincingly explains, international exchange rates as related to the

dollar would not be materially disrupted and existing exchange relationships would tend to be preserved. He disbelieves in dollar clipping as a trade stimulant. The theory that the price level can be raised or lowered at will by changing the quantity of money he also vigorously discards.

In the person of Mr. Davis "agriculture" has one of its own people on the Federal Reserve Board. In swapping terms with Mr. Eccles, the former editor and AAA director now has been reappointed for 14 years, a period longer than most of us dare to anticipate.

Uncle Sam's Real Estate

Federal Credit Agencies, on the whole, are steadily reducing their holdings of real estate acquired under mortgage foreclosures, though some of the agencies are registering increases. In January total holdings of all agencies decreased by \$9,111,270 as compared with a decrease of \$28,134,762 for all of last year. The decrease in January was almost wholly in the property of the H.O.L.C. and the land banks, and that was true of the entire year of 1939. On the other hand, the real estate of the R.F.C. for sale increased by \$8,166,750 last year and added another \$500,000 in January. The F.D.I.C. in its bank merger arrangements acquired another \$110,000 in January to add to the \$254,586 it had at the end of the year. The Federal Housing Administration added about \$400,000 to its holdings in January, its real estate last year increasing from \$947,757 to \$2,839,494. F.H.A. holdings are expected to increase rather rapidly from now on.

Construction

It is considered somewhat doubtful whether total construction in the United States during the current year will exceed the \$10,000,000,000 estimated by the Department of Commerce as the total for 1939. There will be an increase in housing construction including around \$350,000,000 under the plans of the United States Housing Authority, but public construction is expected to fall off somewhat. However, there is considerable promise of a material re-

BANKING — Published monthly by the American Bankers Association, 22 East 40th Street, New York, N. Y., U. S. A. — \$3.00 per year.

Volume XXXII, No. 10. Copyright 1940. Harold Stonier, Publisher; William R. Kuhns, Editor. Assistant Editors, William P. Bogie and John L. Cooley. Production, August A. Small. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Robert J. Stiehl, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikerd, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

Sorry we have only one chair—



Jim's Making the Furniture and He's Busy Now

In pioneer days crude furniture would do because it had to. Fine pieces were for the wealthy. A fine bed was an heirloom to be mentioned in the will. The modern mattress and springs were unheard of. The feather-bed was the last word in sleeping luxury.

Now we take good and inexpensive furniture for granted. Bride and groom move into even a very modest house complete in every detail. Modern manufacturing based on volume production, national advertising and planned retail distribution makes every householder the potential owner of beautiful, comfortable and useful furniture.

The retail furniture dealer serves as buyer, guide and counsellor to his territory. Bride and experienced housewife alike turn to the retail store for wide selection, honest quality and dependable service.

When the experienced retail furniture dealer needs insurance of any type he does not just say, "\$50 worth of insurance, please." Because he realizes the necessary part played by on-the-spot service in modern distribution, he asks for and gets the advice and full services of a capable purchasing agent in the complex insurance

field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman, whether retail furniture dealer, insurance agent or broker, we refuse to accept business direct because it is not in the interest of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock insurance company directed to the retail furniture dealer in your city.

The commercial bank, like the furniture dealer, renders an indispensable service. Its customers and its directors are chiefly independent business men —representative of the American Business System.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

vival in business construction. New business in this line lagged in 1938 and early 1939 but plans for the present year are distinctly encouraging.

R.F.C. Preferred Stock

Banks reduced the preferred stock holdings of the R.F.C. last year by \$47,917,000 to a total of \$488,673,000 out of the total of \$1,151,866,271 actually subscribed and paid for by the corporation. Most banks have retired stock in accordance with the schedule originally adopted, some banks have increased their obligations of this sort while many have retired such stock altogether. Total capital accounts showed a slight increase during the year, which indicates that as preferred stock has been retired its place has been taken by new capital issues or increased surplus and undivided profits—probably considerable more of the latter two items than of the former. It is evident, however, that many banks find it more

advantageous to continue to deal with the R.F.C. in matters of capital than with the investing public.

Working Capital Loans

The persistence with which the advocacy of more liberal and guaranteed capital loans by Reserve banks is urged seems remarkable in view of the record. Ever since the Fall of 1935, when outstanding advances of the Reserve banks for "working capital" reached their highest level at a little over \$32,000,000, there has been a steady decrease in such loans to a present total of around \$12,000,000 gross. The "gross" factor is probably the important factor and goes far towards explaining the steady decrease, since from 18 to 24 per cent of these loans in the past year or so have been in default three months or more. Moreover, bank participation in such advances has been steadily decreasing from a peak of \$12,818,000 last July to around \$10,000,000 at the present time. Defaults were at their peak late last Summer and in the early Autumn. The record last August was 24 per cent. This has gradually declined to around 18 per cent at last accounts.

Increased Friction Expected

There is general anticipation in Washington that friction between the United States and the allies in the near future is inevitable. While the cash and carry system has eliminated most possibilities of trouble over shipping and credits and the matter of holding up vessels, mails and German exports can probably be compromised, the struggle over dollar exchange involves questions which cannot be disposed of so easily. Great Britain, for example, is now requiring countries in Latin America to pay for their imports from Great Britain in American dollars. To some extent the same rule applies to exports from British Dominions in the Far East and, so far as Britain's control goes, even to certain neutrals in Europe. Since the greatest handicap to American trade in all these countries is a dearth of American exchange this new British requirement means that dollars which ordinarily would go to pay for imports from the United States will now go in large part to pay for necessities from British controlled areas,—jute from India so necessary to handle South American coffee, tin, rubber, whiskey and so on,—commodities which can come only from British areas. The requirement will also cut heavily into funds which ordinarily would go to pay interest on debts due the United States. Yet, since Great Britain is acting in the control of its own exports, it is not easy to see wherein an effective complaint can be lodged and made to stick.

The Navy Goes Ashore

In connection with a recommendation to Congress for the establishment of a new Division in the set-up of the Navy Department, Secretary Edison points out that at the present time the number of civilian employees of the Navy engaged in shore activities similar to those of industrial plants in ship-building and repair, storage and various lines of manufacturing is over 100,000, or from two-thirds to four-fifths of the personnel in the seagoing Navy. More than one community in the country depends very largely upon the civilian end of the Navy for its everyday prosperity.

Dependence upon Tin

Quotas of tin controlled by the tin cartel have been reduced from 120 per cent of basic tonnage in the first quarter of the year to 80 per cent in the second quarter with a consequent rise in price which is thought by most authorities to represent an effort on the part of the British government, which controls about two-thirds of the world's production of tin, to secure additional dollar exchange. Since the United States consumes more than half of world production the manipulation of supplies to its disadvantage is a serious matter in times of peace as well as in times of war and the need of building up a reserve supply of the metal in this country is rather distressingly apparent.



Do Your personal accounts use PERSONALIZED CHECKS

Everyone likes to see his name in print. And everyone would like to have his name printed on his checks — if he could buy them at a reasonable price.

Under our De Luxe Personalized Pocket Check Sales Plan, a bank can group the orders of five customers and save as much as 45% of the cost. Two hundred checks complete, including paper, lithography, imprinting, numbering and binding, may be purchased for as little as \$1.00.

Write for Folder No. 13 which summarizes the Plan and details the advantages to you and your customers. It will take you seven minutes to read it

De Luxe

CHECK PRINTERS

Lithographers and Printers

Plants at

NEW YORK CLEVELAND CHICAGO
KANSAS CITY ST. PAUL

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$56,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 285 depository banks located in principal cities throughout the country.

Latest published financial statement and list of depository banks will be mailed upon request.

ADDRESS

**Treasurer,
Commercial Investment
Trust Incorporated**
1 Park Ave., New York, N. Y.

Notes on New Books

This Capitalism of Ours

CARL SNYDER'S *Capitalism the Creator* (Macmillan, New York, \$3.75) is a forceful book.

Here the former statistician of the New York Federal Reserve Bank, summing up many years' work in quantitative economics, conducts not a defense of capitalism but an enthusiastic offense on behalf of a successful system that can attain even greater success through the intelligent use of adequate facts about its own behavior.

Mr. Snyder demonstrates by text and chart that only through capitalism has any people progressed to affluence and culture, and that only through accumulation and concentration of capital has the industrial nation been made possible. Some of his conclusions, as he himself warns, are "by no means accepted by many teachers of present day economic doctrine".

He says the wealth of modern nations isn't the product of "labor"; rather, nine-tenths of it is directly the product of *machines*. And the machines? Well, they owe their existence to brains and ability—genius, if you will—to the comparatively few inventors, discoverers, enterprisers, accumulators.

Technology, Mr. Snyder says, promises a triumphant march into a future of increased wealth and wages, comforts, and enlightened human toil.

Furthermore, the technique of monetary and economic stability will make equal advances, "so that we shall have no more business depressions, nor crazy speculations, nor wide unemployment and decline in the production of wealth." These will be eradicated by "the unbelievably simple methods of *credit control*." For depressions are chiefly the result of speculative bank borrowings, and thus the "problem of controlling depression is simply one of controlling the expansion and, likewise, the contraction of bank credit. It is essential that speculation be held in check to prevent an excess of credit."

Mr. Snyder pleads especially for his science of economics; given enough statistical information, we should be able to avoid serious mistakes in drafting the policies that shape the course of our capitalism. A huge volume of statistical data is being accumulated in many nations. We must study these facts, as physicists study theirs, so that we can know the mechanisms of economic phenomena and then apply them to the general welfare.

Banking Suggests

The New Outlook in Business.
Edited by Bronson Batchelor.
(Harper, New York.)

The Voice of Destruction. By
Hermann Rauschnig. (Putnam,
New York.)

Capitalism the Creator. By
Carl Snyder. (Macmillan, New
York.)

This is a book with personality and originality, one that will be extensively approved and disagreed with. It opens new doors and closes, none too gently, some others.

Thinking Forward

BUSINESS men wrote *The New Outlook in Business* (Harper & Brothers, New York, \$3) and business men, among other people, can read it with profit. Twenty-one industrial leaders state separately their views of what is happening, these socially conscious days, in and to the system which, one way or another, provides most of us with that No. 1 essential, a living. The book is edited by Bronson Batchelor.

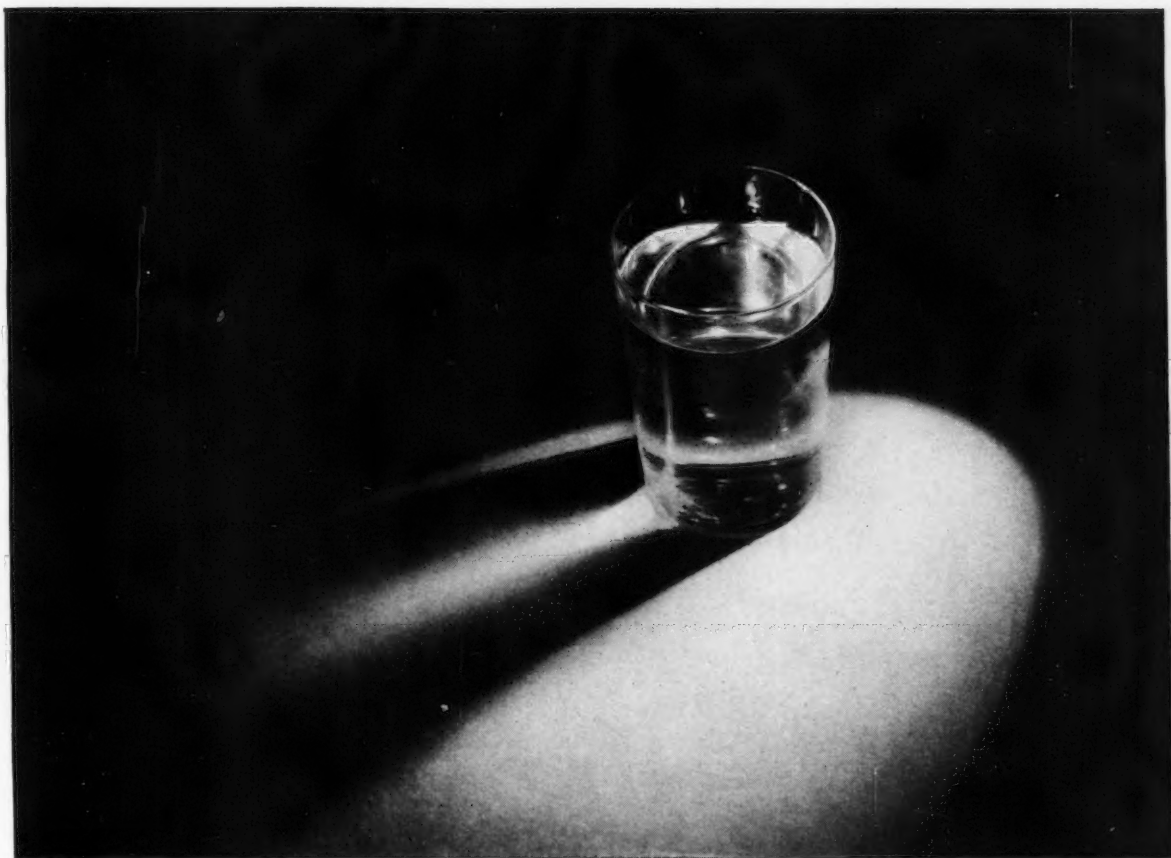
From the foreword by Virgil Jordan to the final challenging chapter by H. W. Prentis, Jr., the discussion is thoughtful and thought-provoking; also, it is far-sighted, reasonable, good-tempered and practical. What these men have to say is a convincing demonstration that business is as much a part of America as are Congress, baseball or the Grand Canyon, and that business not only meets but anticipates its responsibilities.

Some of the papers are able critiques of government-business relationships. In some sharp issue is taken with certain official theories and practices; in all there is an expression of business's responsibility, economic and social, and an effort to view fairly and realistically the problems of today and tomorrow.

Even a glance into this book will convince the reader that not all our progressive thinking is being done in Washington. It is a composite of the intelligent business viewpoint toward questions which, though transcending politics, are too readily answered from the political viewpoint.

Mr. Batchelor has edited a well-knit volume. There is little or no overlap-
(CONTINUED ON PAGE 8)

"Unforeseen events . . . need not change and shape the course of man's affairs"



A \$300,000,000 GLASS OF WATER

Someday, in the not too distant future, a resident of New York City will draw from his faucet . . . and drink . . . one of the most expensive glasses of water in all history. It will be the first glass of water from the three hundred million dollar project to increase New York City's water supply by tapping new sources of pure water up in the Catskills.

An aqueduct—65 miles long—is being drilled, up to a 26-foot diameter through solid rock, in some sections nearly a half mile underground. And in the undertaking, a bond-

ing company is playing an important role . . . by safeguarding taxpayers' money with which the aqueduct is being built.

For The Maryland has written a great part of the contract bonds which the law requires be furnished by the contractors . . . bonds to assure that the job, no matter how difficult, will be done right and on schedule.

The Maryland takes pride in helping make possible such projects in communities all over the United States. Thus is the future built. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents and brokers are equipped to help you obtain protection against unforeseen events in business, industry and the home.

How a number of banks have solved the problem of PROPERTY MANAGEMENT

This thoroughly proven service specializes in property management, surveys, appraisal and analysis of real estate investments in the states of Tennessee, Oklahoma, North Dakota, Iowa, Nebraska, Kansas, Missouri, Texas, Louisiana, Arkansas, Mississippi, Georgia, Alabama, South Carolina, Minnesota and Michigan. A well organized system of branch offices and field representatives, with successful experience in managing and liquidating real estate investments for banks and insurance companies. Write for full details and list of clients.

UNITED Service and Research INCORPORATED

Realtors

81 Madison Bldg., Memphis, Tenn.

Terminal Bldg., Oklahoma City, Okla.

Metropolitan Bank Bldg., Minneapolis, Minn.

Buhl Bldg., Detroit, Mich.

NATIONAL UNION FIRE INSURANCE COMPANY

PITTSBURGH, PA.



THIRTY-NINE YEARS
OF
HONORABLE DEALING

GMAC GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUX-HALL, OPEL, BLITZ—

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES

NEW BOOKS—Continued

ping of subject matter, and the contributors obviously were chosen not so much for their positions in industry as for the fact that they had something to say. They have said it well.

Briefer Mention

The Voice of Destruction. By HERMANN RAUSCHNING. (Putnam's, New York, \$2.75.) Dr. Rauschning reports Hitler's conversations with the inner circle of Nazism in the 1932-34 period. The Fuehrer freely expressed his thoughts and plans to his intimates in these talks which Rauschning wrote down immediately afterward. Much that was said is startling, astonishing and foreboding, even to those familiar with *Mein Kampf* and *The Revolution of Nihilism*. Readers who found the latter a bit difficult will quickly see that the present volume is much easier reading; with reportorial directness it goes about its business of showing that "Hitler and his movement are the apocalyptic riders of world annihilation."

Public Policy. Edited by CARL J. FRIEDRICH and EDWARD S. MASON. (Harvard University Press, Cambridge, Mass., \$3.50.) This is the first in a projected annual series to be published by the Graduate School of Public Administration at Harvard. It contains critical essays bearing on industrial organization and control, including administrative responsibility, price policies and employment, industrial markets, and labor market control. The purpose of the series is to publish some results of the research done at the School and by other scholars working on problems of public policy.

Foreign Exchange Practice and Policy. By FRANK A. SOUTHARD, JR. (McGraw-Hill Book Co., New York, \$2.) The author, Professor of Economics at Cornell University, had the collaboration of Philip F. Swart, Jr., and A. N. Gentes, of the Guaranty Trust Company, New York, in writing this text on the elementary theory of international finance and its operating machinery. The book explains the functions and markets of foreign exchange, rates, foreign trade, and exchange policy. Discussion of the last named topic is undertaken with due recognition of the vast uncertainties of the war which, for the United States, "will see a continuation of the inflow of gold." This increase in our share of the world's monetary (CONTINUED ON PAGE 10)

50,000 SPECIMENS
of the MONEYS *of the* WORLD



CHASE NATIONAL BANK
EXHIBIT OF MONEYS

46 CEDAR STREET
NEW YORK

*Bankers and their families visiting New York
are extended a special invitation
to view this Money Exhibit*

INSTALL SMART STEEL CHAIRS



Modernize YOUR OFFICE

● Harter Steel Chairs are gracefully smooth in design and noteworthy for their ease and comfort. They are the right and proper choice for any office modernization program.

Chairs of the Chevalier Suite, illustrated above, are by one of the country's foremost designers. The best of modern flowing lines is here combined with the traditional comfort and sturdiness of Harter Steel Chairs.

Harter is also an outstanding name in the posture chair field. Indeed there is a Harter Steel Posture Chair for every type of seated work—for executive, office or factory use. Write for catalogs. The Harter Corporation, Sturgis, Michigan.

HARTER



GET THIS BOOK TODAY—

See How You Can Save Time—
Worry and Money

Years of specialized training in the storage of records have given us expert knowledge in solving storage problems. This information has been condensed in the little book illustrated here.

Yours without obligation — just mail coupon.

THE STEEL STORAGE FILE CO.
2216 West 63rd St., Cleveland, Ohio
Please Mail us your booklet, 520-B, today.

Name.....
Bank.....
Address.....

NEW BOOKS—Continued

gold "poses with more insistence the question of the ultimate position of gold in world monetary systems."

Personal Finance Companies and Their Credit Practices. By RALPH A. YOUNG and Associates. (National Bureau of Economic Research, New York, \$2.) Here is Volume 1 of a series "Studies of Consumer Instalment Financing" in which the Bureau plans to publish the results of extensive research done under grants from the Association of Reserve City Bankers and the Rockefeller Foundation. The present book factually analyzes the small loan company and its work. Subsequent studies will take up sales finance companies, industrial banks, commercial banks, the FHA and the Electric Home and Farm Authority, relation of consumer credit to economic stability, statistical data on consumer credit, and other subjects.

JOHN L. COOLEY

Books Received

Through the Diplomatic Looking-Glass. By OLIVER BENSON. (University of Oklahoma Press, Norman, Oklahoma, \$2.) The immediate diplomatic background of the war written by the Assistant Professor of Government in the university.

Hitler's Germany. By KARL LOEWENSTEIN. (Macmillan, New York, \$1.25.) The Professor of Political Science at Amherst College endeavors to set down "the objective truth" about Nazi Germany.

The Case for the Gold Standard. By WALTER E. SPAHR. (Economists' National Committee on Monetary Policy, New York.) Professor Spahr, in a thorough-going analysis, says we should, among other things, restore our currency to a gold basis, repeal the Thomas Amendment and the Silver Purchase Act, and remove the restrictions on the power of the Reserve Board to raise reserve requirements. Pamphlet.

Our American Money: A Collector's Story. By JOSEPH COFFIN. (Coward-McCann, Inc., New York, \$1.75.) The historical background of our coinage and currency, written primarily for numismatists, is also useful for reference.

Industrial Banking. By MARGARET GROBBEN. (Consumer Credit Institute of America, New York, \$1.50.) This picture of one phase of consumer credit is by the Institute's economist who reports on industrial banking's operation, scope, rates, etc.



The Hands of ADMIRAL RICHARD E. BYRD

SCIENTIST • AVIATOR • EXPLORER

In two expeditions to the South Polar regions he made rich contributions to scientific knowledge. Now his third expedition, backed by the U. S. Government, is at work in Antarctica. The world honors Richard E. Byrd, greatest of modern explorers.

Admiral Byrd's personal watch is a Longines strap Chronograph; the scientific timing equipment for his expedition is Longines exclusively.

THE WORLD'S MOST HONORED
HANDS WEAR THE WORLD'S
MOST HONORED WATCH

Longines

Reg. U. S. Pat. Off.

Longines watches have been Admiral Byrd's personal choice for navigation and timing for all his many flights and expeditions. For his third Antarctic expedition, he again selected Longines scientific timepieces exclusively. A brilliant record in the exacting service of the greatest flyers has established Longines as the watch of aviation. Fine, personal Longines watches are priced as low as \$37.50 at authorized Longines-Wittnauer jewelers.

LONGINES-WITTNAUER WATCH CO., INC.
580 FIFTH AVENUE, NEW YORK, N. Y.



NEW YORK LIFE

INSURANCE COMPANY



A Mutual Company, Founded on April 12, 1845 . . . Incorporated under the Laws of the State of New York

THOMAS A. BUCKNER
Chairman of the Board

51 Madison Avenue, New York, N. Y.

ALFRED L. AIKEN
President

95th Annual Statement

A BRIEF DIGEST...DECEMBER 31, 1939

Paid to Policyholders and Beneficiaries in 1939	\$210,625,618
<i>Increase of \$9,130,681 over 1938</i>	
Total of such payments during the past ten years exceeded	\$2,180,000,000
Insurance in force, Dec. 31, 1939	\$6,830,834,796
<i>Increase of \$37,008,487 over Dec. 31, 1938</i>	
New Insurance in 1939	\$427,756,600
<i>Increase of \$4,939,100 over 1938</i>	
Surplus Funds reserved for General Contingencies, Dec. 31, 1939	\$125,639,022
<i>Increase of \$1,083,811 over Dec. 31, 1938</i>	
Voluntary Investment Reserve, Dec. 31, 1939	50,000,000
<i>Increase of \$5,000,000 over Dec. 31, 1938</i>	
Total reserved for Contingencies	\$175,639,022
Dividends payable to Policyholders in 1940	\$39,216,872

The market value of all bonds on December 31, 1939 was \$55,000,000 in excess of the value at which they are shown in the assets below.

ASSETS

Cash on Hand, or in Bank	\$67,927,082.39
United States Government, direct, or fully guaranteed Bonds	701,727,225.08
State, County and Municipal Bonds	243,755,266.62
Canadian Bonds	81,887,383.00
Railroad, Public Utility, Industrial and other Bonds	615,596,078.35
Preferred and Guaranteed Stocks	86,064,795.00
Real Estate Owned (Including Home Office)	123,135,251.65
First Mortgage Loans on Real Estate (including \$488,108.11 foreclosed liens subject to redemption)	450,586,021.57
Policy Loans	329,117,047.42
Interest and Rents due and accrued	29,323,995.01
Net Amount of Uncollected and Deferred Premiums	33,148,123.99
Other Assets	10,212.82
TOTAL	\$2,762,278,482.90

LIABILITIES

Insurance and Annuity Reserves	\$2,245,682,435.00
Present Value of Amounts not yet due on Supplementary Contracts	147,366,448.04
Dividends Left with the Company	118,930,277.31
Other Policy Liabilities	15,898,719.23
Premiums, Interest and Rents Prepaid	11,091,117.08
Miscellaneous Liabilities	3,505,635.85
Estimated Taxes	4,947,956.39
Dividends payable to Policyholders in 1940	39,216,872.00
Voluntary Investment Reserve	50,000,000.00
Surplus Funds reserved for General Contingencies	125,639,022.00
TOTAL	\$2,762,278,482.90

Securities valued at \$41,067,951.95 in the above statement are deposited with Governments, States and Trustees as required by law. Canadian currency Assets and Liabilities carried at par of exchange.

A more complete report containing a list of securities owned by the Company will gladly be sent upon request.

BOARD OF DIRECTORS

ALFRED L. AIKEN
President
JAMES ROWLAND ANGELL
Educational Counselor of
National Broadcasting Company
NATHANIEL F. AYER
Treasurer, Cabot Mfg. Co.
ARTHUR A. BALLANTINE
Lawyer
CORNELIUS N. BLISS
Retired
HENRY BRUÈRE
President, Bowery Savings Bank
MORTIMER N. BUCKNER
Chairman of the Board,
The New York Trust Co.

THOMAS A. BUCKNER
Chairman of the Board
NICHOLAS MURRAY BUTLER
President, Columbia University
CHARLES A. CANNON
President, Cannon Mills Co.
GEORGE B. CORTELYOU
Former Secretary of the
Treasury of the United States
WILLIAM H. DANFORTH
Chairman of the Board,
Ralston-Purina Co.
ROBERT E. DOWLING
President, City Investing Co.
JAMES G. HARBORD
Chairman of the Board,
Radio Corporation of America

CHARLES D. HILLES
New York State Resident Manager,
Employers' Liability Assurance Corp.
HALE HOLDEN
Chairman, Southern Pacific Co.,
Retired
HERBERT HOOVER
Former President of the United States
PERCY H. JOHNSTON
Chairman of the Board,
Chemical Bank & Trust Co.
WILLARD V. KING
Retired Banker
GERRISH H. MILLIKEN
President,
Deering, Milliken & Co.

EDWARD L. RYERSON, Jr.
Vice-Chairman, Inland Steel Co.
Chairman,
Joseph T. Ryerson & Son, Inc.
HARPER SIBLEY
Banking and Agriculture
ALFRED E. SMITH
President,
Empire State, Inc.
J. BARSTOW SMULL
Vice-President,
J. H. Winchester & Co., Inc.
PERCY S. STRAUS
President, R. H. Macy & Co., Inc.



THE INTERNATIONAL PROOF MACHINE *Endorses* AS IT SORTS, LISTS, AND PROVES

- 1** CHECKS ARE SORTED according to their proper classifications into as many as twenty-four sorting receptacles in the machine.
- 2** CHECKS ARE LISTED on individual adding machine tapes to provide totalled listings for each of the twenty-four classifications.
- 3** CHECKS ARE PROVED by means of a control tape that lists checks in original sequence, indicates classifications, provides a total for each deposit and a grand total for the block.
- 4** CHECKS ARE ENDORSED automatically as they pass through the machine into the sorting receptacles.

All these operations are performed simultaneously by the Proof Machine... in approximately the same time ordinarily required to perform one operation

manually. Additional time is saved because a constant proof is maintained. Errors are so localized that the "difference-time" problem is practically eliminated.

An investigation will show you how your bank and your customers will benefit from this modern check proving method. Phone, write, or visit a nearby International office today.

INTERNATIONAL BUSINESS MACHINES CORPORATION

World Headquarters Building
590 MADISON AVENUE, NEW YORK, N. Y.



Branch Offices
IN PRINCIPAL CITIES OF THE WORLD

JUST A MINUTE

More Indians

DOUGLAS GOLD INTRODUCES more of his Indians this month. Meeting them is indeed a pleasure, for they, like EAGLE HEAD of March issue fame, seem to be good fellows. But somehow one gets a rather distinct impression that pioneering in customer relations and public education among the Blackfeet a quarter of a century ago was accompanied by its anxious moments. On the other hand, of course, it had its little surprises, and perhaps they compensated.

Messrs. GOLD, BIG BULL, WHITE EAGLE, BULL SHOE, etc., appear on page 36 in company with Artist SHELL-HASE who makes pictorial comment.

Famous Payors

WHEN MR. RALPH WALDO EMERSON of Concord, Massachusetts, received his first check—so the story goes—he asked a friend how to convert it into money.

Perhaps it is needless to add that from this slightly amateurish beginning, Mr. EMERSON became a bank customer and wrote checks of his own. He is one of the famous payors represented in the check collection owned by the Colonial Trust Company of New York, which is the subject of the picture story on page 31.

This interesting display of checks signed by the great is now on tour of the bank's correspondents.

Safe Deposit

It's ONE THING to tell folks they should rent safe deposit boxes; it's quite another to rent the boxes.

But here comes a new promotion aid, described by KENNETH W. MURRAY, president of the National Safe Deposit Council, in this month's BANKING.

Says Mr. MURRAY:

"We're not going to tell folks; we're going to show them."

In other words, the association has a motion picture designed to do the educational job that often is so hard to do by word of mouth.

"Will it work?" Mr. MURRAY asks. He doesn't know, "but it does seem as though it might be worth a try."

1,000 Per Centers

DIRECTOR DAN H. OTIS of the A.B.A. Agricultural Commission reports in this issue on the states that have obtained the Association's perfect rating of 1,000 points in agricultural achievement this year. Newcomers to the list are Arkansas, Kentucky, Nevada, New Mexico, New York and Wyoming.

Farmer-banker programs, as carried out by state bankers associations with

AN A.I.B. CHAPTER GOES VISITING

We can't identify everybody in this picture of Detroit Chapter, American Institute of Banking, visiting the Ford Motor Company's Rouge plant. But in the front row, left to right, are: Carl N. Richards, National Bank of Detroit, Chapter president; Harold Carr, Detroit Bank, first vice-president; Margaret Anne Ryan, Manufacturers National Bank, chairman of the women's division; Stuart D. Hecox, Commonwealth Bank, chairman of the public affairs committee; and A. S. Greiner, National Bank of Detroit, chairman of the activities committee



SPECIALISTS IN

UNITED STATES GOVERNMENT SECURITIES

GUARANTEED ISSUES
FEDERAL LAND BANK
OTHER AGENCY ISSUES
TERRITORIAL AND
MUNICIPAL BONDS

C.J.DEVINE & CO.

INC.

48 WALL STREET, NEW YORK

HAnover 2-2727

CHICAGO • BOSTON • PHILADELPHIA
CINCINNATI • ST. LOUIS • SAN FRANCISCO

Direct Wires to all Offices

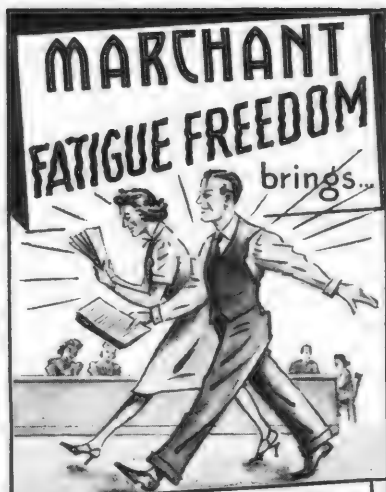
Serving the Business that Builds Baltimore

SINCE 1894



MARYLAND TRUST COMPANY BALTIMORE

Member of the Federal Reserve
System and of the Federal Deposit
Insurance Corporation



GREATER FIGURING ACCURACY and EFFICIENCY!

MARCHANT eliminates the causes of operator fatigue, error, and slow-down... because the machine does all the work. Such super-automatic, in-built features as the "Accuracy-Controller" are invaluable in keeping operators fresh and alert... insuring top-speed production all day long. Ask us what MARCHANT'S unchallenged ease and simplicity of operation will do for you.



MARCHANT CALCULATING MACHINE COMPANY
HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.

Sales Agencies and Manufacturer's Service
Stations Give Service Everywhere

MARCHANT CALCULATING MACHINE COMPANY
1475 Powell Street
Oakland, California
Without obligation, you may send data
showing many ways MARCHANT CALCULATORS INCREASE EFFICIENCY AND REDUCE COSTS IN FIGURING.

Firm _____
Individual _____
Address _____
City _____ State _____



"LATE READING"

Anybody who thinks picking the winner in a BANKING picture-naming contest is easy should try it some time. The drawing in our March issue prompted many entries and many excellent titles, and it was with difficulty that the Editorial Committee finally decided to award the \$5 check to MERTIE B. SIMON, Glastonbury Bank and Trust Company, Glastonbury, Connecticut, for "LATE READING." Yes, there'll be another contest.

the cooperation of Director OTIS and the Commission, are contributing effectively and practically to the improvement of agriculture in all parts of the country.

Personnel Form

SEVERAL READERS OF "How to Judge Job Applicants", published last month, have written for the mimeographed application form mentioned by the authors, MARIE L. SULLIVAN and MARJORIE S. DAVIS. We're sorry there wasn't room to reproduce it with the article; however, we suggest that interested persons request copies from Miss SULLIVAN, Plainfield Trust Company, or to Mrs. DAVIS, Plainfield National Bank, in Plainfield, New Jersey.

Saturday Closings

BY A VOTE of about five to one, bank customers in New York State favored year-round Saturday closings. However, the banks thought differently about it.

A survey conducted by the public relations committee of the New York State Bankers Association registered a customer vote of 29,548 Yeas and 6,200 Nays on the question.

Answers to a questionnaire distributed to members by the association's committee on legislation showed 368 banks opposed to Saturday closings throughout the year and 303 banks in favor of the holiday.

1915-1955

THE FOLLOWING TELLS its own story. It is reprinted by special permission

of *The Saturday Evening Post*, copyright 1940, by The Curtis Publishing Company, having appeared in the *Post* of March 2. The author is LAWRENCE F. LEE.

Evolution of the Twentieth-Century Credit Questionnaire

1915

Name: Address: Telephone:
Church: Sunday School: Pastor:
Place of employment: How long employed? ..
Collateral offered: Bank account:
References (5):
Parents' names and addresses:
Grandparents' names and addresses:
Ever convicted of any crime?
Use liquor or tobacco?

1925

Name: Address: Telephone:
Place of employment: How long employed? ..
Bank account? References (4):

1935

Name: Address:
Place of employment (Government or private):
References (2)

1945

Name: Address:
What Government alphabetical agency or department?

1955

Number:

Sixpenny Savings Bank

TO MRS. EDITH KANE of Woodside, Long Island, BANKING is indebted for this item published on the editorial page of *Gleason's Pictorial Drawing-Room Companion* (Boston) of August 6, 1853:

"It is stated that the experiment of a Sixpenny Savings Bank, in New York, though only a few days old, succeeds far beyond the most sanguine expectations of its managers. Deposits as small as five cents are received. When perfectly honest and secure, any institution which induces the industrious poor to save their earnings, is of public benefit. Poverty is more than half the ills of life, and poverty is too often the result of improvidence and waste. When once a person begins to save, and sees the effect of saving, how it gives him ability to improve his condition in life, and employ his own industry to the best profit to himself, he immediately grows economical in his habits, which, combined with his industry, leads to independence. Penny Savings Banks, doubtless, are useful institutions, but no person should deposit his money in them without being satisfied of its security."

Modern Pioneer

THE NATIONAL ASSOCIATION of Manufacturers made a special award to GEORGE L. MCCARTHY, president of Recordak Corporation, at the association's National Modern Pioneers dinner in New York a few weeks ago. Mr. MCCARTHY was honored for his invention of "equipment for photographing documents in extremely small but clear images which can be stored as a small roll of film and which can be read directly from a machine or can be reproduced photographically in their original size."

Among those receiving the association's scroll of honor for outstanding achievement in invention and scientific development, Mr. McCarthy is the only inventor so recognized whose con-

Mr. McCarthy



"WE KNOW CALIFORNIA"

Imagine 495 correspondents in 307 California communities all closely identified with every phase of business, industry, and agriculture! The services of these correspondents are available to you through one account with California's only statewide bank.

Inquiries regarding this responsive service are given prompt attention.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
MEMBER FEDERAL RESERVE SYSTEM

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA
SAN FRANCISCO LOS ANGELES

WE ENJOY direct connections with 174 of the first 300 banks in the United States; with 78 of the first 100.

This is significant evidence of the type of strong, well-managed banks, large and small, for which and through which our facilities for service are made available.

... THE ...

PHILADELPHIA

NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$42,000,000

Member of Federal Deposit Insurance Corporation



REPRODUCED FROM ASSOCIATED NEWSPAPERS

IT HAPPENS THIS MONTH

"Do you mind if I tag along while you ask your questions around the neighborhood?"

tribution was the outgrowth of a banking career. He is also the only non-career scientist thus honored. His banking experience extended over 25 years.

Another Insurance Rate Cut

¶ JUST AS WE go to press, JAMES E. BAUM, secretary of the A.B.A. Insurance and Protective Committee, reports another cut in the rate on bankers blanket bonds whereby banks will save about \$1,000,000 annually in premium costs. The reduction was effective March 1. Full details will appear in the April *Protective Bulletin*.

Birthday Cakes

¶ FOR HENRY R. KINSEY, president of the Williamsburgh Savings Bank, New York City, who on March 15 celebrated 40 consecutive years of service with that bank. Starting as a clerk, Mr. Kinsey subsequently held a number of offices, including those of cashier, assistant controller and vice-president. He has been president since 1934 and a member of the New York State Banking Board since its organization in 1932. He is a past president of the National Association of Mutual Savings Banks and of the Savings Banks Association of the State of New York. In 1902 he helped organize Brooklyn Chapter, American Institute of Banking Section.

¶ FOR W. H. ALLEN, who recently rounded out 65 years of service with the Waynesville, Ohio, National Bank. He is beginning his 40th year as president of the institution, and on Feb. 3 celebrated his 84th birthday.

¶ FOR THE FIRST NATIONAL BANK OF HUNTSVILLE, TEXAS, which celebrated its 50th anniversary on February 15.



Why is the Mortgage Lender happy about Mrs. Smith's CRANE KITCHEN?



...NATURALLY, he wanted to see Mrs. Smith and her family happy, for satisfied home buyers make payments cheerfully and promptly. But the lender had other and even more important reasons for recommending Crane plumbing. He wanted to assure himself a higher resale price if the house should come back to him. He wanted to keep the house young through the years—and he knew Crane plumbing is made by master craftsmen to endure long, hard service. He chose Crane plumbing also because it is known for quality by 83.3% of all

people who can name a plumbing brand. And what's more, this lender discovered that Crane-Equipment is available in every price range—and costs far less than most people think.

Besides its beauty—besides its attractiveness for home-owners who value greater convenience and comfort—Crane-Equipment offers definite and sound advantages to the mortgage lender as well. Visit a Crane Display Room to find out how Crane plumbing and heating products can help you create a sounder mortgage risk, and assure better-satisfied mortgagees at the same time!



CRANE

CRANE CO., GENERAL OFFICES
836 S. MICHIGAN AVE., CHICAGO
VALVES • FITTINGS • PIPE
PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES, WHOLESALERS, PLUMBING AND HEATING CONTRACTORS

April 1940

17

WHAT MAKES AN AUTOMOBILE LIKE A CONSTRUCTION PROJECT?



Your local agent will tell you:

INSURANCE!

You would not, ordinarily, think of an automobile as being especially like a bridge being built. Yet they *are* similar, and Insurance brings out how and why.

Your local insurance agent will tell you that both involve risk of loss for their owners. If the automobile has an accident causing injury or property damage, the owner proved negligent will, unless properly insured, lose.

In the same way, the town or city for whom a bridge is built may lose if the job

is not completed according to specifications. That is why contract bonds are so essential; they protect against loss through failure of the contractor to properly perform.

Automobile liability insurance policies and contract bonds are two of the many forms of insurance provided by local agents of AMERICAN SURETY and its affiliate, NEW YORK CASUALTY COMPANY. Let these representatives show you *beforehand* the answer to losses that may otherwise be unavoidable.

PREVENT—DO NOT LAMENT LOSS!

AMERICAN SURETY COMPANY NEW YORK CASUALTY COMPANY

HOME OFFICES: 100 Broadway, New York

Both Companies write fidelity, forgery and surety bonds and casualty insurance.



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL
1940

It's Time to Get Business

The country's biggest problems are identical with the problems of banking itself, including agriculture, investments, real estate and consumer credit. In looking over its own problems, therefore, banking is in a position to contribute much to the solution of these questions which are so perplexing. This article shows one way in which banks, through cooperative effort, are ready to play a practical part in business development.

THERE are two kinds of business men: buyers and sellers. The distinction is not merely one of the kind of work they do. It goes deeper; it is a psychological difference. There are some men whose temperament is such that they just naturally are on the receiving end rather than on the delivering end. Their tendency is to say *no*. Constantly they are on the defensive. The psychologists would classify most of these men as introverts.

As opposed to these we have the go-getters. These men are likely to be enthusiastic. They can produce new business, get new customers. Instead of shrinking into their shells, they reach out. They put the other man on the defensive. The psychologists call such men extroverts.

There is no difficulty about determining, speaking in general, into which class bankers fall. They are buyers rather than sellers, introverts rather than extroverts. They have sat back and expected people to bring business to them. Rarely have they gone out and made a real effort to get business. At best, they have merely issued an invitation to people to come in and do business.

All of us realize that the time has passed when bankers can maintain this attitude successfully. If they are to continue doing business, they must get business to do. About this there can be no argument. The only question is: how are they to get business?

For a considerable time, various groups of men to whom banking means much have been seeking a formula to solve the problem. Manufacturers of banking equipment, for example, met recently in New York and discussed the problem thoroughly, reaching the conclusion that what banks and bankers need more than anything else is systematic training in the merchandising of bank services. As the manufacturers pointed out, there are two sources of new business for banks. One is the present customers who are using only a part of the services which are available to them. The other is new business organizations which move into the community.

How to get business from each of these groups is obvious. You ask for it. But *how* do you ask? *What* do you say. *When* do you ask? What arguments do you use? How do you overcome objections? How do you convert a man who doesn't think he needs your services into an enthusiastic user whose use is profitable both to you and to him? These are matters upon which bankers are not likely to be as adept as men in some other lines of business.

It is an old principle of salesmanship that you first must get a prospective customer sold on you before you can sell him your product or your service. Once you have him liking you and placing confidence in you, it is no problem whatever to sell him something that he ought to buy.

It is a good principle, provided you don't lean upon it too heavily. It must be remembered that even under the best of circumstances, you can't expect to make a sale unless you do some selling. Bankers have been inclined to rely too much upon good-will-building for business development; they overlook the fact that good will is only a foundation. It takes work to build the rest of the structure—skilled work.

THE BUSINESS OF BUSINESS-GETTING

BANKS, in general, are now in what we might call the third stage of business-getting. The first was the receptive stage, when people came to the banker because they had to do business with him, whether they liked it or not. There was no trouble whatever about getting customers. The vaudeville joke about the banker who had one kindly eye—the glass one—had some justification in those days.

The second stage—and we haven't left it yet—is what we might call the good-will-building stage. It is characterized by advertising. The theory is that we tell people about our bank and they become so impressed that they want to bring their business to us. We have institutional advertising to impress them with our importance, our desirability and our efficiency. We also have selling copy, which points out to them particular needs that we are equipped to meet.

This is a very necessary phase of the merchandising of bank services. It fulfills the function of impressing people with our prestige and our ability. It makes them think well of us. It even makes them like us. More than that, it points out to them that we are ready, willing and able to do for them things that they want done. In fact, it goes so far as to suggest to them wants that they didn't realize they felt.

But advertising, valuable as it is, falls short of doing a complete selling job. Its shortcoming is to be found in a trait of human nature. People lack initiative. You don't get them to do something merely by pointing out that it is desirable to do it, that they ought to do it, that they can afford to do it. People have a tendency to hang back. Unless there is a present urge to act, they don't act.

THE THIRD STAGE

MANY persons, of course, will read a bank advertisement and will make a point of going to the bank and doing something about what the ad suggested. The bridegroom will be reminded that he ought to make a will and provide for the management of his estate in the event of death. The young woman will be inspired, if the advertising copy is especially good, to open once again a regular savings account. The expectant father will note with pleasure that the bank will help him pay for the baby that probably is going to cost a lot of money.

In general, however, the number of persons who are sufficiently stimulated by an advertisement to go out of their way to pay a visit to your bank is relatively small. It is made up almost exclusively of persons who are acutely aware of a

Know What



"**K**NOWLEDGE", said Samuel Johnson, "is of two kinds: We know a subject ourselves, or we know where we can find information upon it."

Our new series of advertisements, of which this is the first message, will take you behind the scenes and tell you the facts about this bank—how it operates, how it serves, how you can use it advantageously. In other words, it will help you to "know the subject yourself".

If we miss some questions that are in your mind, however, don't hesitate to come in and ask us. We'll gladly answer them to the best of our ability. We really believe you will find it profitable to "KNOW YOUR BANK".

need that can be met only by a bank. The bank that relies solely upon such persons for its operations is doing only a fraction of its potential business.

So we approach the third stage of business-getting by banks—the merchandising stage. Here the banker makes a positive effort to get business. This calls for direct, personal contacts. It means meeting your prospective customer face to face, pointing out to him advantages and needs that he has not realized heretofore, showing him how you and your bank can be of definite assistance, straightening out his difficulties, ironing out his misunderstandings, prodding him out of his lethargy, overcoming his procrastination and his reluctance, and inducing him to take the steps necessary to make your mutual transactions mutually profitable.

The last thing in the world any banker would want to be is a high-pressure salesman. Not only would it be contrary to his training and repugnant to his nature, but it would be both unethical and poor business. The conscientious banker is aware of an obligation to his customer which does not permit him to steer the customer into any activity which the customer is not wholly convinced is the best course. Besides, to hypnotize a customer into buying a service, just because you are able to use tricks and pressure on him successfully, is poor business. It sets up resentment which has a bad effect on future business relations.

Between the passivity of sitting down and waiting for business to come to you, and aggressively going out and

Your Bank Has to Sell

THE Advertising Department of the American Bankers Association has just issued a new series of newspaper advertisements with the theme, "Know Your Bank". The first in the series is reproduced at the left, and others appear on the next page.

Two of the Advertising Department's attractive posters appear at the right, and one of a series of seals is on page 22.

The educational series of "Know Your Bank" advertisements consists of 52 pieces of copy for the year, two columns by 6 inches in size, which are mailed to subscribing banks in mat form. The space at the bottom of each advertisement is provided for the bank's name.

The variety of subjects covered in the series is indicated by some of the titles: "How to Get a Loan", "How the Bank Dollar Is Spent", "Money—Who Issues It?", "What Is Protest", "Who Runs a Bank", "Do Credit Requirements Change?".



The American Way

of family protection

is to provide carefully

planned Trust Funds



knocking it on the head, there is a middle course that banks and bankers must follow if they are to succeed. It calls for intelligent and consistent merchandising effort. It is just as dignified as merely issuing an invitation to do business, it is just as well planned and as active as high-pressure selling, but it is far more effective than either.

If bank services are to be sold, somebody must do the selling. This selling cannot be restricted to men who are hired to do a selling job exclusively. Everybody in the bank who comes in contact with the public plays a part, whether he realizes it or not, in influencing people favorably or unfavorably about the bank. There is scarcely a bank employee, no matter what his position, who can not make some contribution toward the sale of a bank service.

NEW BUSINESS OPPORTUNITIES

IF banks are to get more business, the entire staff must become sales-minded. They must be alert for new opportunities for new business, they must recognize such opportunities when they see them, they must know how to suggest new services to old customers, they must know the particular kind of approach to use with particular people, they must see opportunities for selling services to people who have not yet become customers.

To be looking for business opportunities is important. To be able to recognize an opportunity when you meet one is an accomplishment that is none too common. But to know how to handle an opportunity, how to convert a potential customer into an actual one, is an attainment that comes only through experience or training. That most members of most bank staffs have had little experience in merchandising the bank's services effectively will be admitted readily. That they have had little real training in merchandising will be admitted even more readily.

In no small measure the American Bankers Association has been smoothing the path of the banker who seeks to do a merchandising job. To cite but one item, it has prepared lectures and talks for student and adult groups on many

phases of banking and subjects related to banking. In a single year, it is estimated, approximately three quarters of a million persons heard the messages. This sort of thing has tended to make the public think more intelligently—and therefore more generously—about banks.

Such efforts, however, constitute only a first step in getting business. A second step was taken by the preparation and distribution of booklets on Constructive Customer Relations. Since they were issued in August 1933, more than 30,000 of these booklets have been distributed to 8,500 banks. This was getting a little nearer to the ultimate goal. Banking men were beginning to learn how to tell customers facts about banking in understandable terms.

Next, the A.B.A. came out with a series of seven booklets called *Talk*, and to date has distributed more than 8,000 sets of them to more than 3,000 banks. These have supplied bank people with ammunition they could fire back at critics.

In other words, the stage is all set for merchandising bank services. Now where is the merchandising?

It is about to make its entry. It is the next step to be taken by the Public Relations Council of the American Bankers Association. A course of training in merchandising bank services has been determined upon. Intensive preliminary work already has been begun. By early Fall the whole work should be completed.

With certain definite principles in mind, work is proceeding rapidly. Among the principles are these: that bank executives and employees must be more sales-minded if bank services are to be sold in greater volume; that merchandising bank services is a function in which all workers of the bank are interested and can have a part; that methods and practices which some banks have found resultful might well be included in the merchandising technique of other banks; that more effective merchandising of the bank's services will mean more business for the bank and more benefit for everybody in it.

To sum it all up, the banks are now beginning to get ready to cash in on the good will they have been building.

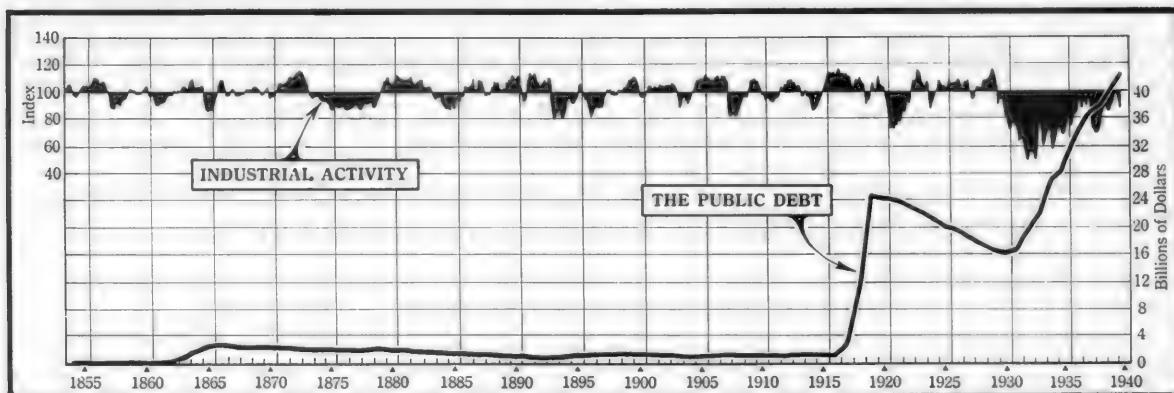


Left, President Hanes

Banking's Problems

As pointed out in the preceding pages, the problems of banking today and those of the country as a whole are inherently the same—public spending and the public debt, agriculture, the dislocations wrought by the wars of Europe, taxation, foreign trade and many others in a long list that would make an outline for a history of the last decade. A renewed effort of American Banking to do its part in solving these problems is incorporated in the program initiated by President Robert M. Hanes of the American Bankers Association.

Below, a wavy line and a steady one



Know What Your Bank Has to Sell

(Continued)

GOOD NEWS!

• You can borrow the money you need at this bank and pay only fair, bank rates. Qualified borrowers can obtain funds for any sound purpose. Our service is prompt, courteous and confidential. Come in for details.



Above, one of a series of seals designed by the Advertising Department. They have a variety of uses as an advertising medium

Left, an advertisement typical of the many that are issued for use by various departments of a bank. The space at the bottom is for the bank's name

Right, a blotter recently sent to subscribing banks by the A. B. A. Advertising Department. Folders and other useful advertising items are also sent out

PAYING BY CHECK



1. Saves time when you pay bills.

Reduces the risk of loss or theft.



2. Provides uniform, legal receipts.



3. Provides uniform, legal receipts.

IT WILL PAY YOU TO OPEN A CHECKING ACCOUNT AT

Your bank's name and address will be printed here.
 Prices for this Checking Account Blotter are: 500 copies \$4.00; 1,000 copies \$10.00; 2,500 copies \$23.50; 5,000 copies \$45.00. Send your order to the Advertising Department, American Bankers Association, 22 East 40th Street, New York, N. Y.
 Copyright 1940, American Bankers Association
 NOTE: Brackets and copy they enclose will be removed on finished blotters.

S ay ns h- st ng nt

and the Country's Are the Same



ACME

TAXATION—New kinds are invented and old ones persist. Above, a cartoon used by the Automobile Club of America to symbolize the recent 21st birthday of the gasoline tax in the United States



UNEPK

FOREIGN TRADE—Right, loading coffee in Santos, Brazil. Hopes for greater trade opportunities in South America are receiving jolts—for example, the trade discussions and understandings between Argentina and Japan and the latter country and Mexico

OUR PART IN POST-WAR RECONSTRUCTION—The last war brought the world's financial center to the United States. We inevitably have a part, still undefined, to play in rebuilding after this war. Below, a recent scene in Finland



ACME



BOZIO



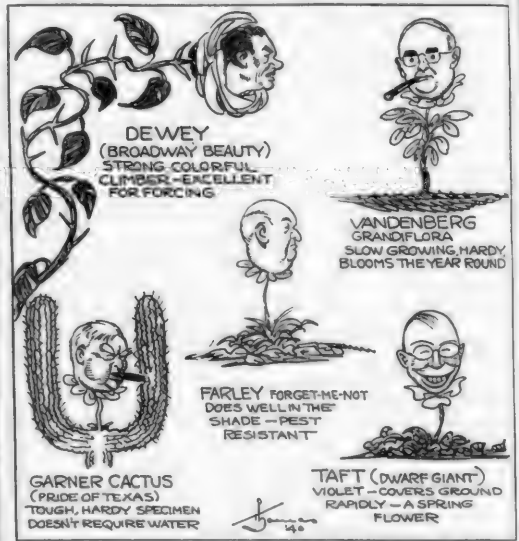
HARRIS & EWING

THE PERENNIAL PUZZLE OF AGRICULTURE—At about the time that the President and Secretary of Agriculture (above, right) were using Triple A's seventh anniversary as an occasion to ask further support for their farm program, eastern bankers, meeting in New York, discussed banking's long standing banker-farmer program and its broadened possibilities for the future. Above, left, First Vice-president P. D. Houston of the A. B. A. introducing the Association's Deputy Manager A. G. Brown, who is in charge of the Agricultural Credit Department



ACME

AN ECONOMIC PROBLEM WITH A FOUR-YEAR CYCLE—Above, members of a joint committee of Congress making plans for the 1941 inauguration. Left to right, seated, Messrs. Doughton, Neely, Barkley; standing, Messrs. Martin, and Rayburn. Above, right, a cartoon captioned "1940 Seed Catalog"



INDUSTRIAL DISLOCATIONS BROUGHT ABOUT BY THE WAR—War necessarily has varying effects on our industry. Furthermore, as we found 20 years ago, peace is equally disturbing to a war-gear economy. Business statesmanship in the United States has wisely borne these facts in mind. Right, a new 33-passenger plane, one of three now in prospect for international travel purposes. The aviation industry is coping with the double problem of increased commercial opportunities in the face of the war, as well as far greater requirements for war equipment



WIDE WORLD

BANKING

The Trust Indenture Act

By HENRY A. THEIS

The author, vice-president of the Guaranty Trust Company, New York, is Chairman of the Committee on Costs and Charges, Trust Division, American Bankers Association.

THE Trust Indenture Act of 1939 had its origin in the 1934 law which authorized the Securities and Exchange Commission to make a study and investigation of the work, activities, personnel and functions of protective and reorganization committees. The commission felt that the scope of the study and investigation should include the functions and administrations of trustees under indentures. The SEC's recommended objectives may be summarized as follows:

1. To provide full and fair disclosure, not only at the time of original issue of bonds, notes, debentures and similar securities, but throughout the life of such securities;
2. To provide machinery whereby such continuing disclosure may be made to the security holders, and whereby they may get together for the protection of their own interests;
3. To assure that the security holders will have the services of a disinterested indenture trustee, and that such trustee will conform to the high standards of conduct now observed by the more conscientious trust institutions.

When the SEC concluded that it would seek Federal legislation, the American Bankers Association appointed a committee on mortgage trusteeships which was to cooperate with the SEC in bringing out as sound a bill as was possible. The Indenture Act of 1939 is the result of this effort.

Now that it is law, indenture trustees are going to do everything in their power to make it work smoothly.

The act does not affect indentures executed prior to the law's becoming effective, except that in the case of additional issues of securities under an indenture executed prior to the effective date of the act, the SEC may require the indenture to be amended to conform to the act, except to the extent that conforming would require consent of holders of the outstanding securities or would impose an undue burden on the issuing company. It does apply to all indentures to be executed in the future, except that certain securities enumerated in the act are exempt.

THE TRUSTEE

TO qualify under an indenture, the trustee must sign that part of the registration statement having to do with the eligibility and qualification of the trustee. The act also sets up a formula as to what shall be a material conflict and requires the trustee which finds itself in such a position to cure the conflict or resign as trustee in 90 days.

The work involved on the part of the trustee in examining possible conflicts will be considerable. Issuing corporations are required to furnish the trustee semi-annually with lists of bondholders. The trustee is required, under specific restrictions, to make such lists available to bondholders or, at their request, to mail communications to them.

The issuing corporation is required to make an annual report to bondholders. The trustee is also required to submit to bondholders an annual report covering its administration of the trust, as well as interim reports in the case of releases,

substitutions of properties or advances to the trust estate—in either case if the amount equals 10 per cent of the securities at the time outstanding.

Indentures must contain provisions in respect of compliance by the issuer with its covenants.

The trustee must notify bondholders of default, except that in the case of default, other than in principal, interest or sinking fund, the trustee may withhold such notice so long as it determines that such withholding is in the interest of the bondholders. The trustee may not be absolved against its own negligence, but shall not be responsible for failure of the indenture to comply with the act or regulations thereunder, and prior to default shall be responsible only for such duties as are specifically imposed by the indenture.

The trustee is protected against the exercise of judgment, in good faith, unless negligent in ascertaining the pertinent facts, and is protected in acting upon the facts and opinions contained in the certificates as permitted by the act.

IN CASE OF DEFAULT

THE act provides that qualified indentures shall contain provisions requiring the indenture trustee to exercise, in the case of default, such of the rights and powers vested in it by the indenture and to use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. It follows, therefore, that the duties and liabilities, after default, become different from those before default.

Even before the enactment of the Trust Indenture Act, corporate trust men for some time have felt that the then existing schedule of corporate trust compensation was in some respects illogical and inadequate in relation to the responsibility involved and the work performed. No material revision has been made by the Trust Division of the American Bankers Association in corporate trust fees since 1932.

A committee of the Trust Division, committees in New York, Chicago, Boston, Philadelphia and other cities, have been working out reasonable and proper schedules of charges. All realize that they are charting an unknown course; that the act is complicated, the problem difficult, and that any schedules may have to be revised either up or down as experience reveals the liabilities and duties involved.

The major changes suggested in the new schedule are those applied at the setting up of the trust, which have been reduced, and those applied annually for administration services, which have been increased. The charge for administration service has been materially increased as it is here that the enlarged activities required by the act will cause substantial increases in operating costs. The factor of increased liability has also been considered.

Other factors taken into consideration in developing the schedule were the changed conditions in the money and security markets since the schedule was last revised in 1932, which tend to reduce income, and the effects of Social Security taxes, the wage and hour law and the Federal deposit insurance assessment, all of which materially increase the cost of operation.

Investment Objectives

Among previous articles in BANKING by this writer was "Credit Files for Securities", in the February issue. MR. ADAMS is an investment analyst in an eastern bank.

WHAT investment objectives should you have for your bank? In formulating suitable goals toward which to work in your bond portfolio, how much relative weight should you assign to the various factors in your particular set-up?

An easy answer sometimes advanced is that a program of staggered maturities provides the solution. This may apply very well in certain cases. The fact is, however, that most bankers are unwilling to adopt such a simple formula for their investments. Frequently, moreover, it leaves important questions unanswered. How much cash should be kept on hand? How large should secondary reserves be? What proportion of the bond account should consist of United States Government obligations? How much can a banker afford to invest in long term maturities for the sake of income that is urgently needed? Even if a program of spaced maturities is adopted, over how long a period should commitments be spread? These are pressing practical problems for the average banker today.

The table on page 27 indicates a method of approach to their solution. Three hypothetical banks are presented whose assets are assumed to be less than \$10,000,000. The figures indicate for each bank the percentages of total resources consisting of various types of loans and fixed assets and the percentage represented by cash plus securities. There is also a breakdown of capital funds and deposits on a percentage basis.

THREE BANKS

IT is apparent that the circumstances of these three banks vary considerably. Bank A has a comparatively large proportion of non-liquid assets, including mortgages, other non-liquid local loans and fixed assets. It also has a relatively small amount of capital funds and a high percentage of public and demand deposits. Bank B is more nearly representative of the condition of the average country member bank today. The loan portfolio constitutes 31 per cent of total resources and is considerably more liquid than in the case of Bank A. Capital funds equal 12 per cent of total resources and fixed assets amount to one-third of these combined equity accounts. Bank C has an unusually small loan portfolio, a large amount of capital funds, and a high percentage of thrift accounts. As you will see, each of these banks has a different percentage of its resources available for distribution among primary and secondary reserves and investments.

On the basis of these figures alone, what should be the investment objectives of these three banks? It is apparent that the information presented is entirely inadequate to permit any precise answers. Nevertheless, certain objectives are presented below in order to illustrate a method of approach to this question. There is obviously much room for debate as to what the exact figures should be, but the principles which they reflect are of fundamental importance. It is with these principles that we are concerned.

Our primary thought, in determining suitable investment aims for each of these banks, should be the safety of the institution. Safety depends largely upon two factors: the degree of risk in the bank's assets, and the amount of protection against these hazards that is provided by the bank's capital accounts. The investment program should prevent a banker from assuming more risk than he can afford in relation to his bank's capital structure.

In the case of Bank A, deposits amount to approximately ten times total capital funds and fixed assets are equal to more than half of these combined capital accounts. Surplus, undivided profits and reserves afford but little protection against possible impairment of capital from losses or depreciation in the bank's assets. Bank B clearly enjoys a considerably better financial position and Bank C is unusually strong. In fact, with capital funds amounting to 60 per cent of total loans and fixed assets in the case of Bank C, it is apparent that we have much more latitude in determining a program for this bank. It should also be remembered that with such a large percentage of its resources available for investment, adherence to a well considered bond program is of unusual importance for this institution.

LIQUIDITY

IT is also essential to analyze the liquidity requirements of each of these banks. These will depend largely upon the amount and character of its loans and the composition of its deposit liabilities. A bank with a large amount of local loans, even if most of them are short term, should maintain a good cash position and strong secondary reserve in order that it will not be forced to curtail its profitable lending activities under any circumstances. Although local loans can frequently be liquidated without much difficulty, it is short-sighted for a banker to rely upon them for liquidity. He has an obligation to his community to care for its legitimate credit needs at all times, and if he can fulfill this obligation, he will be amply repaid in the long run. On the other hand, the liquidity of the loan portfolio is an important factor to consider in planning the investment program. If mortgages are substantial, for example, they should be offset by greater liquidity in other assets.

It will be noticed that separate classifications have been made below for FHA insured loans, other amortized mortgages and unamortized mortgage loans. It remains to be seen, of course, as to exactly how significant these distinctions may someday prove to be.

In the case of most banks, there are good reasons to believe that thrift accounts will probably be more stable than demand deposits and public funds.

On the basis of these considerations, it is suggested that Bank A should plan to keep a cash reserve amounting to 25 per cent of total resources and that other investments should be restricted entirely to securities that would qualify as secondary reserves and to United States Government obligations. With such a weak capital position, this bank cannot afford to assume any appreciable risk of losses or depreciation in its investments. With non-liquid assets comprising such a substantial percentage of total resources, and with demand and public deposits so large, cash on

By E. SHERMAN ADAMS

hand should be high and other securities should be readily marketable.

In the case of Bank B, it seems apparent that cash does not need to be as high and that other investments may be somewhat more diversified. The chances are that Bank C must depend upon securities, to a large extent, in order to obtain satisfactory income. Being in a strong financial position, and having a comparatively small volume of local loans, this bank can probably afford to hold some medium and long term securities for income purposes.

The question of earnings is, of course, a pressing concern for many bankers in formulating their investment programs. For a bank in a very strong financial position and with a relatively small income from other sources, it may even be the chief factor. In the case of Bank C, for example, if additional income were needed in order to make a satisfactory showing for the year, it might be justifiable to lengthen maturities somewhat. On the other hand, if Bank C receives considerable revenue from its trust operations, the management might decide not to hold any long term bonds whatever.

It should be emphasized that the objectives indicated be-

low are based upon the assumption that these bond portfolios will eventually contain only high grade securities. Some bankers continue to believe that they will be able to achieve better net results over a period of time by holding some second grade issues. Experience has demonstrated time and again that the average banker loses out in the long run when he deviates from high quality standards.

There may be many other significant factors that should be considered in setting up appropriate goals for an individual bank. For example, does the prosperity of the community depend upon a type of economic activity that might someday be seriously affected by changed conditions?

Objectives at any particular time may also depend to some extent upon market factors. High grade corporate and municipal bonds are now selling at such high levels that many bankers have decided to restrict their investments entirely to United States Government obligations. Yields on Government securities are actually better in most instances as long as a bank can use additional tax exempt income to advantage. With yields on short term securities as low as they are today, some bankers may prefer to leave some of their surplus funds uninvested and to invest only a portion of them in longer bonds in order to obtain required income. Some bankers, moreover, are able to purchase good local municipals on an attractive basis.

There is no mechanical formula, therefore, that will indicate what the investment program of a particular bank should be at any given time. The answer for each bank should be based upon a careful analysis of individual circumstances.

RESERVE AND INVESTMENT OBJECTIVES

Condition	Bank A	Bank B	Bank C
Assets			
Readily collectible loans.....	5%	5%	5%
Personal instalment loans.....	-	5	7
FHA insured mortgages.....	-	5	5
Other amortized mortgages.....	10	5	-
Unamortized mortgages.....	10	-	-
Other non-liquid loans.....	20	11	5
Total loans.....	45	31	22
Fixed assets.....	5	4	3
Total loans and fixed assets.....	50	35	25
CASH AND SECURITIES.....	50	65	75
Total Assets.....	100%	100%	100%
Liabilities			
Capital stock.....	6%	6%	8%
Surplus, profits and reserves.....	3	6	7
Total capital funds.....	9	12	15
Savings deposits.....	30	40	50
Demand deposits.....	45	40	35
Public deposits.....	16	8	-
Total liabilities.....	100%	100%	100%
Ratios			
Deposits to capital funds.....	10.1-1	7.3-1	5.7-1
Fixed assets as per cent of capital funds.....	56%	33%	20%
Objectives			
Cash.....	25%	20%	15%
Secondary reserves.....	15	10	5
Other U. S. Governments.....	10	15	20
Other securities—short term.....	-	10	10
Other securities—medium term.....	-	5	10
Other securities—long term.....	-	5	15
Total.....	50%	65%	75%

Small Homes in 1940

A CONCERTED effort is being made at the present time to publicize the possibility of home ownership on an FHA basis at approximately \$25 a month.

"Although financing facilities of the FHA cover a wide range," FHA Administrator Stewart McDonald said recently, "special emphasis this year will be directed toward stimulating and facilitating the purchase of houses by families in the \$1,000 to \$2,000 a year income group. It was looking toward this end that the FHA recently broadened its program in order to start the flow of private capital into these new and wider channels."

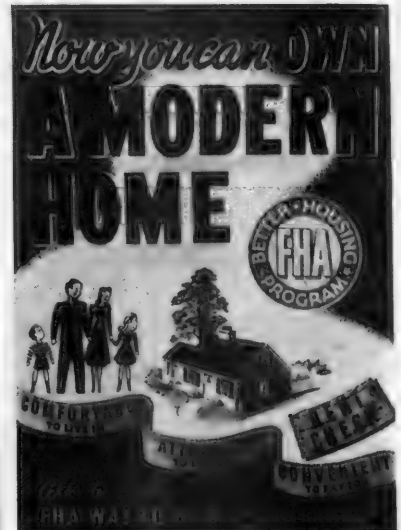
It is expected that manufacturers, dealers, realtors, builders and lending institutions will release special promotional pieces based on the theme of the drive. To support these individual efforts, the FHA has prepared new window displays, folders, suggested newspaper advertising, radio talks and transcriptions, a motion picture short, car cards and other material.

Some of these promotional pieces, which can be obtained from the FHA in Washington, are illustrated on this page.

Now you can OWN
A MODERN
HOME



Ask here about
FHA
INSURED
LOANS



Above, two posters, printed in attractive colors

Ask about the



Your
for Better Living



Above, two streamers
for window display

Down 10% FHA FINANCE
FHA Plan 'N ON HOMES TO
\$2,500 NEW FHA PLAN
ATED TO AID
LOW INCOMES
5 Per Cent and Lower for Down Payment
over Restrictions
ed for Home Purchase
over 15 Years
and 15 Years
and 15 Years

Low Income
Group Aided
By FHA Plan

WHAT ABOUT THIS
New FHA PLAN?

You'll be especially interested in our new type FHA-insured loans for home financing if your income is moderate.

We're making loans up to \$2,500 for small new homes. Terms up to 15 years. A building lot can represent the small required equity.

Convenient monthly payments suited to your income may be as low as \$20.90 on a home costing \$2,500.

If you'd like to know more about this sensible way to pay for a home of your own, we'll be glad to explain the details of the new FHA plan.

FINANCIAL ADVERTISER

ADDRESS PHONE No.

SEE this modern home in



(DEVELOPMENT)
for \$XX. per month on the new FHA plan

How's it possible to offer this attractive home on such reasonable terms? (actually less than rent!) Here's the secret:

First we laid out a model small-home community, using modern planning and construction methods for greater economy and livability.

Now we offer these modern homes for sale on a modern financing plan, the new FHA Plan of small income payments.

A small amount down—and monthly payments as low as \$X0.00 a month may be arranged.

(Directions for reaching homes.)

DEVELOPER
ADVERTISER

ADDRESS

PHONE No.

Below, three specimen advertisements for the campaign



Build A SMALL HOME
for as little as \$00 a month
on the NEW FHA PLAN

We can build you an attractive \$X,000 home that can be paid for on the new FHA Plan. This means convenient terms to suit your income.

A small down payment. (Equity in the building lot will be acceptable.) Monthly payments may be as low as \$X0.

Would you like to see some of the homes we are building on this new FHA Plan? We'll be glad to drive you around to them. Phone for an appointment at your convenience.

BUILDER
ADVERTISER

ADDRESS

PHONE No.

Building Materials

Question No. 4 — What Is Your Opinion Regarding the Possibility of an Increase in Costs of Building Materials?

From all sections of the country have come various types of replies to the above question which indicate, definitely, that the majority of bankers have given this problem deep and earnest thought. This article is exceptionally informative because the views expressed are reasoned opinions based on wide experience and expert knowledge. Previous articles in this survey appeared in January, February and March.

THE following tabulations show beyond peradventure that the majority of bankers are of the opinion that the costs of building materials are on the increase.

As indicated in the previous articles, a definite plan has been adhered to in reporting the returns on each question. In the tables below will be found the replies to Question No. 4, arranged in a geographical grouping of states.

TREND	NORTH CENTRAL STATES		MIDDLE ATLANTIC STATES		SOUTH ATLANTIC STATES	
	Replies	%	Replies	%	Replies	%
Up.....	393	55.4	270	58.3	191	57.2
Slightly Up.....	144	20.3	113	24.5	94	8.5
Doubtful.....	130	18.4	70	15.3	32	9.6
No Increase.....	42	5.9	9	1.9	16	4.7
Totals.....	709	100.	462	100.	333	100.

TREND	SOUTH CENTRAL STATES		NEW ENGLAND STATES		PACIFIC STATES		PLATEAU STATES	
	Replies	%	Replies	%	Replies	%	Replies	%
Up.....	111	53.3	129	63.2	32	41.6	20	27.8
Slightly Up.....	48	23.0	52	5.1	27	35.0	25	34.7
Doubtful.....	47	22.6	24	11.0	17	22.1	22	30.5
No Increase.....	2	1.1	2	0.7	1	1.3	5	7.0
Totals.....	208	100.	207	100.	77	100.	72	100.

Note particularly that of the seven geographical areas, only two, namely, the Pacific and Plateau states, do not state unequivocally that prices of building materials may increase soon.

However, against 41 and 27 per cent of the Pacific and Plateau states, we have a clear preponderance of opinion in

favor of the belief of an increase in prices of the other five sections, from which territory the replies were the heaviest.

Here are some observations—conflicting and similar—bearing on this question.

NORTH CENTRAL STATES

FROM Wisconsin, a banker replies: "I do not look for much increase in cost of materials, unless the war in Europe continues for at least another year." From another point in this state comes the following: "We find labor demands too high, a factor which may boost the prices of materials, thereby retarding building activity." A third comment is: "Rise will stimulate building temporarily, but may prove a deterrent factor in subsequent activity as a means of increasing employment."

A reply from Missouri is: "Our opinion on this question can only be based on our past experience. Building material prices have, in the past, increased with the advent of any major national problem. *This increase, in most cases, has been definitely unjustified.* It appears, though, that in view of the present situation *there will be another increase.* Our builders in this area are at present unable to cover themselves on building material prices for a period beyond 30 days." Another observation is: "Rise is contingent on a major war."

From the other states of this group come contrasting but informative replies such as: "Checking with our material houses, we believe the prospect for increase in cost is negligible." "Ordinarily, as demand for materials increases, prices tend to rise; we believe the present, in this respect, is not different from the past." "Foreign affairs likely to be used as pretext for rise." "Most bankers feel that labor and materials are already too high for healthy building conditions." "Looks to us as if increase will reach levels of previous post-World War prices."

MIDDLE ATLANTIC STATES

HERE is an interesting situation where the responses from New York and New Jersey do not coincide with those from Pennsylvania. The first two states reveal a strong majority of belief that an increase is on the way, while the third is slightly in the minority in its opinion of a rise in prices.

A Pennsylvania report states: "Prices have been increasing and will reach the breaking point, unless earning power of buyers is materially raised."

Replies from New York are tempered by economic conditions prevailing there. One answer is: "If the manufacturers think the traffic will bear it, there probably will be an increase." The following observation is worth noting:

"It would help in selling constructed property if building materials advanced in price, but it would eventually cause a reaction in new construction and therefore more unemployment."

New Jersey reflects some definite views on this question. For instance, "I am not worried about material costs rising. Labor costs are the primary problem—together with taxation of real estate."

SOUTH ATLANTIC STATES

OF the replies which came in from the South Atlantic states, the majority indicate a belief that prices will increase, except Georgia, Florida and Kentucky, the percentages of which are respectively 41, 45 and 38 per cent.

A banker in Florida reports conditions as he finds them: "The cost of building materials appears to be higher here than in adjoining counties. Additional increases would discourage building." Another report states that "prices are going up, due to increase in wages and reduction in hours."

Maryland sends in this comment: "Trend appears upward, but any substantial increase is certain to retard sales." Other comments from this state are "Labor demands are forcing rise." "Increase will hinder building activity." "Federal Government threatens to hold costs down."

From Delaware comes the following observation: "Analysis of local conditions shows a definite increase at this time, with a tendency for further increases later on." One banker says: "Labor and difficulties retard building."

SOUTH CENTRAL STATES

A BANK in Texas sends in this comment: "If new residences are being built in the country generally, as they are here, I think the time is not far off when the demand for that class of building material will fall off. Then a decrease in costs would depend on whether other types of construction—for example, railroad and industrial—increased enough to take up the slack." Another forward-looking observation follows: "Labor, builders, and materialmen are overlooking a great opportunity. Low costs would develop interest in building." "I believe an increase will be held down by threats against monopolies," states this contributor.

NEW ENGLAND STATES

THE states in this group appear to be equally divided as to an increase in the price of building materials.

A Maine banker sends in this detailed reply: "There appears to be some increase in the cost of building materials, particularly those purchased in the outside market. We are in a fortunate position with respect to lumber, in that it can be produced locally. Moreover, no substantial price increase appears to be in sight within the next few months."

A New Hampshire contributor replies: "Six hundred million feet of building material are ready and dry. This situation should keep costs down."

PACIFIC STATES

A CALIFORNIA banker says: "An increase would depend a great deal on labor conditions, which are unsatisfactory in lumber business." Another replies: "High cost of labor keeps prices rising."

Washington says that "cost of materials is too high already," and that "labor is too demanding, which keeps prices up."

Oregon bankers remark that "cost of materials is as high as users will tolerate," and that "clamour for high wages is one of the principal reasons for the impending increase."

PLATEAU STATES

IN the replies of the Plateau states an increase in the price of materials is neither conceded nor justified.

A reply from Colorado states: "Prices should remain on about present levels." Reports from Idaho say: "It is feared that more increases will paralyze building activity." Montana bankers remark that "increases will be determined by trend of general conditions."

Trend											
	UP	SLIGHTLY	DOUBTFUL	NO	TOTAL						
Replies	%	Replies	%	Replies	%	Replies	%	Replies	%	Replies	%
NORTH CENTRAL STATES:											
North Dakota...	8	66.7	1	8.3	3	25.0	..	..	..	12	..
South Dakota...	3	60.0	1	20.0	1	20.0	..	..	..	5	..
Nebraska...	9	45.0	5	25.0	4	20.0	2	10.0	2	20	..
Kansas...	39	52.0	12	16.0	15	20.0	9	12.0	9	75	..
Minnesota...	34	61.8	5	9.1	10	18.2	6	10.9	5	55	..
Iowa...	22	40.0	20	36.4	8	14.5	5	9.1	5	55	..
Missouri...	35	62.5	11	19.6	9	16.1	1	1.8	1	56	..
Wisconsin...	49	56.3	16	18.4	22	25.3	..	..	..	87	..
Illinois...	50	50.5	20	20.2	24	24.3	5	5.0	5	99	..
Indiana...	44	58.7	16	21.3	11	14.6	4	5.4	4	75	..
Michigan...	33	52.4	16	25.5	10	15.7	4	6.4	4	63	..
Ohio...	68	63.5	20	18.7	13	12.2	6	5.6	6	107	..
MIDDLE ATLANTIC STATES:											
New York...	95	65.0	33	22.6	10	6.9	8	5.5	8	146	..
New Jersey...	60	70.6	15	17.8	10	11.6	..	..	..	85	..
Pennsylvania...	115	49.8	65	28.1	50	21.7	1	0.4	1	231	..
SOUTH ATLANTIC STATES:											
West Virginia...	17	60.8	10	35.6	1	3.6	..	..	..	28	..
Virginia...	29	72.5	8	20.0	3	7.5	..	..	..	40	..
Delaware...	7	70.0	2	20.0	1	10.0	..	..	..	10	..
Maryland...	13	68.5	4	21.0	2	10.5	..	..	..	19	..
North Carolina...	16	61.5	6	23.1	3	11.5	1	3.9	1	26	..
South Carolina...	11	64.7	5	29.4	..	..	1	5.9	1	17	..
Georgia...	18	41.8	19	44.4	6	13.8	..	..	..	43	..
Florida...	14	45.2	12	38.6	5	16.2	..	..	..	31	..
Alabama...	16	57.4	10	35.6	1	3.5	1	3.5	1	28	..
Mississippi...	20	71.4	6	21.4	1	3.6	1	3.6	1	28	..
Tennessee...	20	54.0	6	16.2	7	19.0	4	10.8	4	37	..
Kentucky...	10	38.4	6	23.1	2	7.8	8	30.7	8	26	..
SOUTH CENTRAL STATES:											
Oklahoma...	22	50.0	14	31.9	6	13.6	2	4.5	2	44	..
Arkansas...	13	43.3	10	33.3	7	23.4	..	..	..	30	..
Louisiana...	12	66.5	2	11.2	4	22.3	..	..	..	18	..
Texas...	64	55.2	22	18.9	30	25.9	..	..	..	116	..
NEW ENGLAND STATES:											
Maine...	13	46.4	8	28.6	6	21.4	1	3.6	1	28	..
New Hampshire...	14	60.6	5	21.9	3	13.1	1	4.4	1	23	..
Vermont...	7	43.7	3	18.8	4	25.0	2	12.5	2	16	..
Massachusetts...	51	62.0	21	25.6	10	12.4	..	..	..	82	..
Connecticut...	31	62.0	11	22.0	..	..	8	16.0	8	50	..
Rhode Island...	3	37.5	4	50.0	1	12.5	..	..	..	8	..
PACIFIC STATES:											
Washington...	10	41.7	8	33.3	6	25.0	..	..	..	24	..
Oregon...	3	50.0	1	16.7	2	33.3	..	..	..	6	..
California...	19	40.3	18	38.3	9	19.3	1	2.1	1	47	..
PLATEAU STATES:											
Idaho...	1	16.7	2	33.3	3	50.0	..	..	..	6	..
Montana...	5	50.0	2	20.0	2	20.0	1	10.0	1	10	..
Wyoming...	..	..	2	28.4	4	57.2	1	14.4	1	7	..
Nevada...	1	25.0	3	75.0	..	..	..	..	..	4	..
Utah...	6	46.1	4	30.7	3	23.2	..	..	..	13	..
Colorado...	4	20.0	6	30.0	10	50.0	..	..	..	20	..
New Mexico...	2	25.0	3	37.5	1	12.5	2	25.0	2	8	..
Arizona...	1	25.0	3	75.0	..	..	..	..	..	4	..

Checks of Famous Americans

PRESIDENT James Madison once signed a check "Yours respectfully", and Andrew Jackson made one payable to "Andrew Jackson, Coffee". These two curious items and some 70 others make up the collection of famous Americans' checks of the Colonial Trust Company, New York. The collection, having been displayed earlier this year in the assembly room of the New York Chapter, American Institute of Banking Section, and then at the Colonial Trust Company, is now on a tour of the latter's correspondents in various parts of the country.

The collection ranges in date from an item signed by Thomas Penn, son of William Penn, dated 1733, to one signed by President (then Senator) Harding in 1919. The smallest check in the collection is for 75 cents, signed by President Fillmore (then Vice-president) in 1849. The largest is for \$16,733, written by Russell Sage at the time he was a member of the New York Stock Exchange.

The only certified check in the group is one for \$3,500 written

by "Boss" Tweed shortly before this notorious politician's conviction for embezzlement and subsequent flight to Spain.

A check written by Robert R. Livingston to the order of Robert Fulton is said to represent part of the original capital used for building the first steamboat, the *Clermont*.

An amusing item is a check written by Baron von Steuben, the German hero of the American Revolution, which reads: "Cashier of the Bank, to pay to the 7th of January Fifty Dollars, New York, December 9th, 1791."

One of the checks on plain paper is an item signed by President James Buchanan and dated "Wheatland, near Lancaster, 22nd January 1852."

Among army men represented as users of check service are Lee, Sheridan and Beauregard. Literary figures include Emerson, Hawthorne, Whitman and Mark Twain, while scientists are represented by Edison and John Burroughs.

Each check is accompanied by a portrait.



The Future of Farm Credit

E. M. EHRHARDT has been president of the Federal Land Bank of Spokane for almost 13 years. What follows is his letter to the officers and directors of national farm loan associations in the Twelfth Farm Credit District, explaining his resignation from the Spokane bank. **BANKING** reprints it here because the questions it raises are of great national significance for all lending institutions.

I FEEL that my resignation as president of the Federal Land Bank of Spokane calls for a statement to the associations [national farm loan associations].

I am unwilling to join in a program under which the independent status of your organization is being gradually destroyed and its operations integrated or mixed indiscriminately with the activities of other agencies. None of these agencies are like the Land Bank in organization and function and some are charged with the responsibility of making loans involving a substantial element of relief in an attempt to solve an extremely difficult social problem through the use of credit. I believe that, in the long run, cooperation between these agencies will prove more acceptable, not only to the Department of Agriculture and the Farm Credit Administration, but to the farmers and livestock men which they desire to serve, if it is voluntary rather than compulsory. Moreover, the present set-up has involved and will continue to involve the Farm Credit Administration in partisan politics.

The question is whether this cooperative credit system can be kept sound and made self-supporting if it is absorbed and becomes an integral part of a department responsible for the administration of various other programs, and whether the ideal of building a farmer-owned and farmer-controlled cooperative credit system for agriculture can be attained and its permanence assured if its supervision is of a type that invites political interference. In my opinion, the hazards are so great that I am unwilling to participate in the experiment.

FCA AUTONOMY

INCIDENTALLY, the problem of preserving the autonomy of the Farm Credit Administration is not new. It has given concern to agricultural leaders and those having the responsibility of management for a good many years. Realizing the importance of the subject, a special committee of the National Cooperative Council, after protracted study and careful analysis, on November 6, 1934, adopted a resolution as follows:

"That the council vigorously assert itself as favoring maintenance of the Farm Credit Administration (1) as a separate independent agency of the Federal Government, (2) concerning itself with financing by cooperative means the permanent and not temporary or emergency needs of agriculture, and (3) with a progressively increased measure of farmer control."

At the next annual delegates' meeting of this council held in January 1935 the following resolution was adopted:

"RESOLVED: We favor restricting the Farm Credit Administration facilities to financing the sound business needs of agriculture, maintaining such Administration as a separate, independent agency of the Government, and with progressive increases in the cooperative nature of the structure."

And at a meeting of the council's executive committee held December 8, 1939, a resolution was adopted containing the above recitals and concluding as follows:

"THEREFORE, BE IT RESOLVED, that we reaffirm the declaration of principle recited in the above two resolutions and urge that the independent status of Farm Credit Administration be restored at as early a date as possible."

The National Grange, at its Peoria meeting last November, expressed views even more emphatic, pointing out the necessity of continuity of policy and sound management if funds are to be available on favorable interest rates and terms, and stating that borrowers, employees and investors alike must be free from political uncertainties and pressure if maximum safety and service are to be attained.

Other leading farm and livestock organizations have adopted somewhat similar resolutions favoring independent status for the Farm Credit Administration.

REORGANIZATION PLAN NO. 1

SINCE 1917 and until recently the independence of the Land Bank System has been maintained under the leadership of all former Land Bank Commissioners, the present Commissioner, Albert S. Goss, and the first three Governors of the Farm Credit Administration, namely, Henry Morgenthau, Jr., W. I. Myers, and F. F. Hill, who resigned last December.

Under the authority of the reorganization bill passed by the last Congress, the President transferred the Farm Credit Administration to the Department of Agriculture by executive order. At the time the transfer was made there was much concern that the Farm Credit Administration would be unable to maintain its independence. Secretary Wallace, on May 22, 1939, appreciating the seriousness of the problem, issued a statement, with the concurrence of the President, regarding his general responsibility for the work of the Farm Credit Administration, which in part was as follows:

"The Farm Credit Administration, including the Federal Farm Mortgage Corporation, will not become an integral part of the Department of Agriculture * * * The Farm Credit Administration will be an autonomous Federal agency as heretofore * * * The Commodity Credit Corporation, also transferred by Reorganization Plan No. 1, and the Rural Electrification Administration, transferred by Reorganization Plan No. 2, will become operating parts of the Department of Agriculture. Their work will be integrated with that of the other department agencies supervised by the Secretary of Agriculture. Those differences in responsibility of the Secretary and the status of the agencies concerned are dictated by several considerations. While the supervision of credit facilities in the farm field is closely related to the other agricultural land-use activities of the Federal Government, it also has an equally important relation to the work of the Treasury Department and of the Federal Loan Agency. * * * Supervising as it does many different types of organizations—involving among other things more than 8,000 corporations—the Farm Credit Administration does not seem to be adapted to complete identification with the Department. The relationships involved can be handled best by a continuation of its present method of operation, with the Secretary of Agriculture exercising a coordinating supervision in only the broadest and most general way.

"The activities and structure of the Rural Electrification Administration and of the Commodity Credit Corporation, on the other hand, are typically governmental and their coordination with other agricultural activities is logical and feasible."

The Secretary reaffirmed this policy in a public statement December 21, 1939, on the occasion of Governor Hill's resignation.

Now, according to a published statement by Governor A. G. Black on February 20, it is the intention to integrate completely the work of the Farm Credit Administration, of which the Land Bank is the oldest and largest unit, with the various programs of the Department of Agriculture.

At this point I wish to make it perfectly clear that it is not my intention to criticize the work of the Department of Agriculture or any of the other agencies operating under its supervision. A wonderful work is being done in many fields. In its research and educational work, and more recently in many of its action agencies, highly meritorious programs have been developed. However, participation by farmers in these programs has been optional. It is, therefore, inconsistent that the Department be endowed with the power to veto the actions of farmers' cooperative organizations, either now or in the future.

COOPERATION EXTENSIVE

FURTHERMORE, the Federal Land Bank of Spokane and the national farm loan associations have cooperated consistently on a voluntary basis with the various activities of the Department of Agriculture, notably the Farm Security Administration, the Agricultural Adjustment Administration, the Soil Conservation Service, the Extension Service and the Land Use Planning Administration. This cooperation has been publicly acknowledged as satisfactory. Therefore, the plan of complete integration as announced by Governor Black seems unnecessary and, what is more, might prove as impracticable and unacceptable to other units of the Department of Agriculture as to the Farm Credit Administration.

* * *

The thing that makes integration with the Department of Agriculture unsafe for the Farm Credit Administration is that the Secretary of Agriculture, with all his multitudinous programs, must be continually asking Congress for legislative assistance and appropriations of public funds. It is only common sense to say that under present procedure these things cannot be accomplished without concessions here and there along the line, in which political patronage is very definitely involved. On the other hand, an independent, self-reliant agency, bi-partisan in character, is not under such pressure and is, therefore, free to function to the best interest of its trust.

For more than 20 years the Federal land banks, under independent supervision, have been notably free from political influence. It has been a tradition in the system that management in the banks and in the associations must be free to adopt and pursue sound business practices, based on the merits of each individual transaction. This concept rests on the time-proved fundamental principle that you cannot mix banking and partisan politics without disastrous results. As evidence, you have only to refer to the record of the financial institutions of this country which have attempted it in the field of both commercial and mortgage lending, from the First Bank of the United States, which finally became so embroiled in partisan politics, and its operations so repugnant to the people, that the Congress revoked its charter, on down through the years to recent attempts in some of our western states to engage in the direct loaning of public funds under the supervision of political appointees.

* * *

On January 17, 1940, all officers of the Federal Land Bank of Spokane were unanimously reelected by its board of directors to serve for the ensuing year. During the week commencing January 22 a personnel representative of the Department

of Agriculture spent several days in Spokane and while here conferred with local politicians. On February 19 Governor Black of the Farm Credit Administration arrived in Spokane and notified your board of directors he would not approve the reelection of the undersigned or of Vice-president Ward K. Newcomb. On February 21 I filed my resignation, effective March 1. In so far as I know, the Governor had no criticism to offer regarding the bank's policies, progress or accomplishments. There was no charge of mismanagement or misconduct.

At a conference in Washington last October, Mr. Newcomb joined me in a statement of the Spokane bank's attitude toward its relationship with the Department of Agriculture, with particular reference to cooperation with the Farm Security Administration. This statement stressed the need for a permanent unit for rehabilitation, including education and supervision, combined with the extension of subsidized credit. It recommended increased funds and authority for the Farm Security Administration and complete, voluntary cooperation between that agency and the Farm Credit Administration. But it pointed out that the distinction between rehabilitation and sound credit needs should be maintained and that the Farm Credit Administration should not become involved with the social aspects of the problem.

Having taken this position, it is obvious that anyone reading the record might conclude that resistance by Mr. Newcomb and myself to any plan of integration such as is now proposed by Governor Black would follow. That conclusion if reached, was correct.

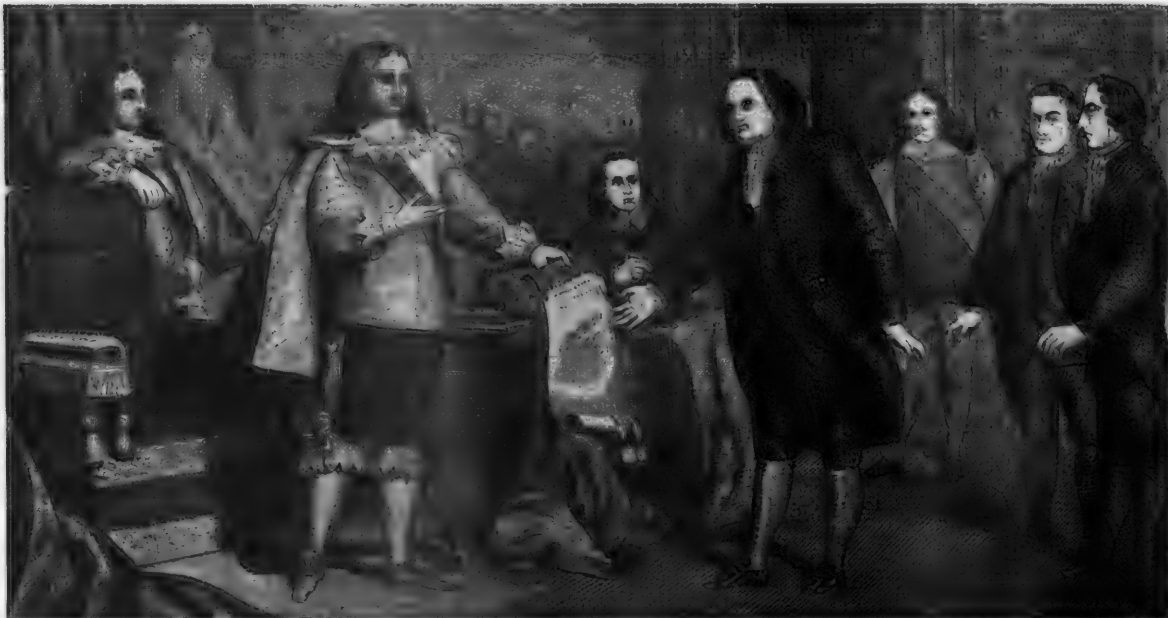
In any event, it seems to me Governor Black's action in his present position of authority is so utterly at variance with the ideals which have heretofore prevailed in the system that I feel it incumbent upon me to draw the unusual circumstances surrounding my resignation to your attention. If such bureaucratic practices continue and this concept of supervision prevails, the final result is sure to be detrimental to your organization. It strikes at the very heart of the cooperative principle of membership control. In plain words, it is dictation from the top down and disregards the principle that a cooperative institution must be built from the ground up to endure. The fact that I am one of the victims of the Governor's action is only incidental to the fundamental issue.

So much for the record. What of the future? What can the officers, directors and members of national farm loan associations do to get their organization again headed in the right direction?

I believe, as expressed in my last annual letter to association members, that American farmers should have the kind of credit system they want. Furthermore, it is only reasonable to assume that this or any national administration will respect the wishes of more than one million farmers who are borrowing through the permanent units of the Farm Credit Administration. Is there any sound reason why this farmers' cooperative credit system should not enjoy a degree of independent supervision similar to that accorded the Federal Reserve banks, which serve industry, commerce and agriculture? Has it not been our settled policy to extend this type of supervision through the bank to the associations, in so far as possible, in order that decisions might rest on the recommendations of your association directors? Do you wish to see this policy changed? If not, it seems to me the time has arrived for you to express your views, for a passive attitude on your part at this time will indicate your approval of the announced program.

Sincerely yours,

E. M. EHRHARDT



William Penn receiving the charter of Pennsylvania from Charles II

CULVER SERVICE

William Penn's Real Estate

ACROSS from Independence Hall in Philadelphia stands the Land Title Bank and Trust Company, an organization whose records are among the most complete of their kind in the country. Its rows upon rows of document files and record volumes trace land ownership back to a dramatic event, pic-

tured above, which occurred on March 14, 1681, the royal grant of a charter to William Penn. It is claimed that if records in the office of Philadelphia's recorder of deeds should be destroyed, this institution could re-create the records in abridged form from its own data, which are insured for over \$1,000,000.

Abstract of the Penn family succession



One of the earliest Penn grants (modern recording)

Index — 620 1684

NOTE: — When the property granted cannot be located on the Locality Index, insert in the column of grantors names of towns, counties, or counties, also names of defendants in controversies in which deeds, names of donors, trustees or agents, and in the latter case names of children, heirs, or devisees of donors when mentioned in deeds; also names of plaintiffs and defendants whose estates are concerned upon proceedings or parties — all which persons are to be indexed in Name Index as grantors.

11 — 1 Mo 1686
 1st u No 1 15
 2, 30 1 142

Grantors: William Penn
 Grantees: John Rush

DESCRIPTION
 Beg at Cor of rd of Sarah Hobbs & E
 at 60 Pm. th SE. 1/3 Pm. th N.W. 1/3 Pm. to B. y
 Contg. 250 A.



Top left, Miss Mercer, manager of the search and abstract department, and a familiar view of an historic belfry

Top right, some of the 900,000 title policy applications

Left, where the final search is made from the first conveyance to the close of business the preceding day

Bottom left, a clerk enters judgment records

Bottom right, where judgments are recorded within 24 hours of their being entered at City Hall



April 1940



No Place to Put 'im

By DOUGLAS GOLD

The author told another of his stories in the March issue. He has been in the Blackfoot country for a number of years

THE Blackfeet Indians have no concept of the value of money. Life is a feast or a famine. An Indian with \$10 will go into a store and change it all into halves or quarters, depending upon the unit he best comprehends. He will then buy what he needs, paying for each article with a coin. If he has several coins left after he has made his purchases he will not put them back into his pocket and go home, but will stand thoughtfully considering what else he might buy until all is spent.

The Indian agent called me to his office one day and engaged me in a discussion as to what procedure we might follow to induce the Indians to practice a little thrift. It is true we had a savings department but the names in it were all Smith, Jones and Brown; not Duck Foot, Tail Feathers, and Stabs by Mistake. The agent thought that if we had small savings banks to give out to the Indians they might learn to save their coins and, in time, establish accounts in the bank. I looked through a catalog and at length found just what we wanted. It was a savings bank made to resemble a small donkey. Each time a coin was inserted the donkey's tail would wag. Accordingly I sent for a supply of the banks and we began giving them out to a select few of the full bloods.

Big Bull received one and was delighted. So also were his friends. The coins had to be forced in and with each deposit the tail wagged vigorously. All the visitors to his lodge during the Fourth of July celebration were permitted to poke coins into the donkey and laugh at his antics. The key was left with me and Big Bull was instructed that when the bank was full he would deposit the money as a saving.

With the beginning of cold weather Big Bull abandoned his tepee and moved into his cabin. The bank, of course, went with him. It was beginning to get heavy, but its apparent fullness in no way deterred Big Bull from offering it to his friends and visitors who were allowed to disturb the donkey's quiet by making a deposit.

One day Big Bull told his squaws that on the following morning they would go in to town and take the bank to me to have it opened. The squaws were of course agreeable, and the matter was settled. That night, however, his cabin burned down. Big Bull and the squaws had gone to a dance at the round house and apparently had forgotten to close the draft on the wood fire. Their cabin was down in the trees along the Cut Bank, and no one saw it burning, but when the family returned about midnight nothing was left but a black spot in the snow and a few smoldering embers.

Big Bull accepted the loss philosophically and moved in with Crow Feather who lived nearby. Nothing was ever found of the bank or of the coins. It was several days before the old Indian got in to town to tell me of his misfortune. I had been interested in his economy and was sympathetic

at his loss. Thinking to break the shock for him I pulled a dollar out of my pocket.

"Here, Big Bull," I said, "Take this and start saving again."

Big Bull looked reflective, and then made a broad gesture of refusal. "No take 'im," he said. "No place to put 'im. Donkey he's all burn up."



Metal Basis Preferred

I ACTED as part-time cashier during the Summer of 1916 and was greatly interested to notice the reaction of the Indians to banking procedure. The vault impressed them as a place of entire security. The time lock was a never ending source of interest. Old White Eagle, however, nearly spoiled the confidence we were achieving, and I was greatly perturbed, when he was found circulating stories among the Indians that he had tried the bank and found it to be a very unsafe place to keep money. Several Indians drew out their accounts, and each one explained his action as the result of White Eagle's story. I finally sought out the old fellow with an interpreter to discover what his grouch was. We found him sitting on the steps of the Agency warehouse.

I commenced cautiously. "Ask White Eagle," I said, "why he never comes into the bank any more. Is he mad at me?"

A prolonged argument ensued before Bull Shoe could give me the answer. "No, he's not mad at you, but he says he don't like that bank. It ain't no good place to keep money."

I continued hopefully. "Well, what makes him think so, Bull Shoe? He had some money in there —just a little bit—for a while and then came and drew it out. He didn't lose any, and he might have lost it if he had carried it in his pocket all that time."



Another question in Indian by Bull Shoe and many gestures and a prolonged harangue from White Eagle. Just as White Eagle finished talking, his son-in-law drove up in a wagon, and, loading the old fellow in the back, started across the Agency square.

Bull Shoe and I walked back toward the bank. "He says," Bull Shoe interpreted, "he tell all Indians that bank is no good place to keep money. He says when the Indians put money in there, they don't get it back."

"But, Bull Shoe," I said, "you know that's not right. He only had ten dollars in there and came and got it all out."

"No, he says he didn't get it," said Bull Shoe. "He brought you ten silver dollars just to see if you could take care of it and then when he came to get it, you gave him a \$10 bill."

After this I realized the necessity for some educational measures and succeeded in restoring in some part the confidence of the Indians.

Show Safe Deposit Service

By KENNETH W. MURRAY

Mr. MURRAY is president of the National Safe Deposit Advisory Council and vault manager of The Union & New Haven Trust Company, New Haven, Conn.

THERE is something wrong with safe deposit advertising. Why? Because it is not producing the results which it should. This question of safe deposit advertising has been discussed by safe deposit and advertising men for quite some time with little or no results.

Consider for a moment the average conservative safe deposit ad. It says something like "Rent a Safe Deposit Box in the First National Bank," and it may go so far as to give a picture of the bank so that there can be no doubt as to which is the First National. Sometimes, where the bank is desirous of spending a great deal of money on such an ad, a notice that "A box costs you less than two cents a day" is added. This is quite a condescension on the part of the bank officer in charge of advertising or the advertising agent.

Would this make you rent a box or even interest you in the idea? No, of course not. So then some of us use so-called "scare" advertising something like this: "Beware of Burglars" or "Fire will get you if you don't watch out." Or this: "You may have fire insurance policies; but they are not so hot if destroyed by fire." These ads are supposed to scare you into putting your earthly belonging in a safe deposit box. Does it make you, who have neither been robbed nor seen your house burned down, want to rent a safe deposit box?

TRY THIS SOME TIME

COULD you explain to someone who had never seen a safe deposit box just what one was? Try it. And when you get through ask him what a box is. Most banks and all safe deposit advertisers presume that everyone knows just what a safe deposit box is. This is where they err. If you believe that this statement is in error, the next time you're at bridge or at the club ask your neighbor what a box is. You are going to be surprised.

"Oh certainly," you'll be told, "I know what one of those is. You get them down at the ten-cent store for a dollar with a lock and key thrown in. I've one under the bed now."

And you will receive many such enlightening answers.

It is undoubtedly true that anyone with moderate or better means should know what a box is. But consider the people who have never done any banking, and they are legion, who consider the bank (quite rightly) as a sort of holy of holies. A rich unknown uncle of one of these people leaves him a few thousand in stocks and bonds and a nice house in the country. Does this man know what a safe deposit box is? Would the present trend in safe deposit advertising give him the urge to rent a box? I don't believe so. He is going to store those papers somewhere around the house. Why? Because he doesn't know what a safe deposit box is and he isn't particularly interested in finding out. Some painters told me that the other day they came across a thousand dollar bond tacked to the underside of a pantry shelf.

My suggestion will not rent more than a thousand boxes a day. It is not a ball of fire, but I believe it is worth consider-

ing. If people who own homes and who have valuable papers and personal belongings that should be kept in a safe deposit box do not know what a safe deposit box is, how are we going to tell them what one is?

We are not going to *tell* them, we are going to *show* them. How? With the availability of the smaller moving picture camera and projector it is a very simple and reasonable matter to take pictures of your own vault, showing the renting of a box, the actual procedure followed, the vault door, the coupon rooms and everything of interest to one who doesn't know. To whom would these pictures be shown?

It has been said that women control most of the wealth of this country. There are innumerable women's clubs, church groups, bridge clubs and so on, who are always looking for a half hour's entertainment.

These pictures could be taken for and sponsored by the various local clearinghouse associations at a very small cost to each bank.

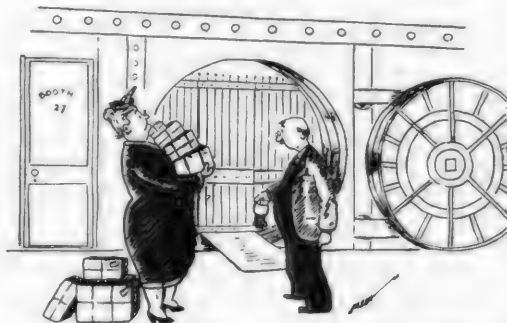
Another method of *showing* people what a safe deposit box is to invite them to inspect your plant. We invite school groups to go through our vaults. Why not invite these women's groups to do the same?

Did you ever fail to interest anyone who came to your vault? Even men like to inspect such places. They like the sight of steel and brass, the wonderful workmanship on the doors, and the privacy of a safe deposit box.

Well, why not invite the various service clubs in your town to inspect your vault? Some of their members may be bank officials of some other bank, but there is no harm in showing them the fine equipment you have. Men's clubs of churches and lodges are always looking for interesting speakers. Take your movie to them and send a competent safe deposit man along with it to explain the picture. Take along some locks and show how they work.

Seriously, people will not rent boxes unless they know what they are and experience has shown that you cannot *tell* them what they are. Our task is to educate them to the desire to rent boxes by *showing* them what they are.

Will it work? I don't know, but it does seem as though it might be worth a try.



"I received your little folder: 'Put all your valuables in one of our \$2.50 safe deposit boxes'."

A Bank's Modern Tools, III

By E. S. WOOLLEY

This is the third in a series of articles by Mr. WOOLLEY, bank analyst, on the work that is being done by the producers of bank equipment to help banking institutions increase their operating efficiency. The story he tells here is based on information obtained from the Recordak Corporation, National Cash Register Company, Telfair Telfone Corp., Felt and Tarrani Manufacturing Co., Marchant Calculating Machine Co., and the Monroe Calculating Machine Co.

FEW bankers think of themselves as being inventors of office machines, yet many of them are. Not that they are able to draw the plans, or even have any idea what the machine would look like when built, but they know what they want it to do. This, after all, is the basis of any invention. When mechanical engineers, with an inventive turn of mind, are shown what is desired they can usually evolve a machine that will accomplish those results. Many machines which have radically changed bank operating methods have come into existence in just this way.

One of these is the single posting of commercial depositors' accounts by means of photography, which is used so extensively today. About 11 years ago the cashier of a small bank in a midwestern town wished to avail himself of the practice being followed by the larger banks of photographing the checks in the transit department, thus saving the work of describing the items on the cash letters.

Feeling, however, that there was not a sufficient number of items being handled in his bank to warrant the expense involved in such equipment, he hunted around for other work to which he thought photography could be applied. His eyes lit on the duplication being performed in the commercial bookkeeping department through the posting of the depositors' ledgers and statements separately. Here, he thought, was an ideal place for photography. Not only would work be saved but a much better record would be obtained, since the bank would have an exact picture of the statements actually delivered to the depositors.

He communicated with a manufacturer and described what he wanted to do. This was the idea, but the idea alone would not solve the problem. It took many months of research and study to do that. Today, banks all over this country and others are photographing customers' statements and saving the costs of dual posting because the cashier of a small bank in a midwestern town had a problem to solve.

There are many advantages, other than the reduction of costs, claimed for the photographing of customers' statements. One of these is that the bank's records are, under all circumstances, exact duplicates of the statements in the depositor's hands. It is impossible to change the film in an effort at fraud.

In the use of such photographic film as permanent records, however, it is necessary to see that there is an easy and ac-

curate method of locating any individual item wanted at any time in the future. A numbering system has proved itself of value for this purpose. Under this method the statements, for example, are numbered and these numbers are posted to a small card which is filed under the account name. The statement of the New Manufacturing Company might be 1173 on the January film and 994 on the February one. The file card of the company would therefore show "Jan/40., 1173., Feb/40., 994". It will be seen that a 3 x 5 card will index the statements of a concern for many years. The use of any adequate indexing system will pay dividends in time saved when it is necessary to look up records for past periods.

There are many other uses for photography in a bank, such as providing duplicates of signature cards. A method of photographing the ledger card signatures for savings bank operations was worked out at the instigation of an officer of a large mutual savings bank and is fully described in the May 1938 issue of the *News Bulletin* of the Savings Banks Association of the State of New York. This method permits of photographing of subsequent ledger cards instead of having to obtain new signatures from depositors each time.

Machine Posting Efficiency

ONE of the big problems that face the smaller bank desiring to use modern machine methods is how to keep the machine employed for a reasonable length of time during the day. It is nearly as important in the control of costs to eliminate the waste of machine hours as it is to eliminate the waste of man hours. It does not usually pay to install a machine that is used for only a small fraction of the day.

The executive of a bank of about a million dollars deposits in a small New Jersey town realized this, and he realized too, that, much as he wanted machine posting of the general ledger and note case records, the volume of the work would not warrant the purchasing of a machine for those alone. He tried many experiments in an attempt to overcome these difficulties and increase operating efficiency, but these experiments did not provide a satisfactory solution.

An accounting machine manufacturer was called in and handed the problem. After some experimenting, he found that a combination accounting and typewriter machine could be adapted so that it could post practically every record in the bank with the exception of the savings accounts, which were already machine posted.

This one machine now posts the general ledger, the liability ledger, note register, notices, etc., the F.H.A. and mortgage records and also the individual books of the commercial department. In this way it is kept busy throughout the day. Naturally, with a machine that is put to so many uses, it is necessary to see that the routine of the bank is arranged so that the work of the different departments can be done without conflict. A method such as this enables the

smaller banks to benefit from machine posted records, which are not practical if a machine is to be idle for a large part of the time.

After this particular machine had demonstrated its success in the one bank the manufacturers were able to show the executives of a number of banks of similar size that its use would be advantageous in their institutions. In this and many other instances the entire banking world benefited when one banker made his wants known.

The growing emphasis that is being placed on amortized mortgages means that banks must be provided with records that are adaptable to the different problems which such long term reducing credits demand. With such mortgages there is a varying amount of each payment that applies to the principal, interest, taxes and insurance. In the case of F.H.A. mortgages there is also the obligation on the part of the original mortgagee to see that the taxes, hazard insurance and the insurance premiums due the Federal Housing Administration are paid.

Because of the length of time that such mortgages run, the permanent legibility of the records is an important factor. Machine posting of these records therefore becomes almost a necessity.

Communication

ANOTHER field that is proving of real value to banks is that of interdepartmental communication. The ability of the personnel to communicate speedily and confidentially with one another is essential in most banks. There are different ways in which this problem has been solved by different manufacturers; the systems of some of them are considered here. The particular style that is needed depends upon the communications problems of the individual banking institution.

Many of the larger banks feel that the exact reproduction of the hand written messages is very necessary. This is often the case in those branch institutions in which the bookkeeping is centralized at the head office. In such banks it is frequently necessary for tellers and others to communicate rapidly with the bookkeeping department in order to ascertain balances.

The use of the written records definitely places responsibility and avoids the errors that might creep in under verbal messages.

Another method of interdepartmental communication is a "voice-powered and non-magnetic" telephone. Under this system there is a maximum of 20 stations with direct connections, or 80 stations by operating through a switchboard.

This means that with the switchboard there could be 40 conversations carried on simultaneously, or 10 without the switchboard.

The equipment is not based on the principle of the magnetic telephone invented by Alexander Graham Bell but receives its power from the vibrations of the human voice. It is claimed, however, that the tone of voice can be so modulated as to be inaudible six inches from the speaker, yet distinctly heard over the wire by the person who is listening at the other end.

This is sometimes quite important, particularly with tellers asking the bookkeepers for a balance while the depositor waits at the window. If this equipment is used for this purpose it would seem that slips should be filled out, signed by both the tellers and the bookkeepers, giving the essential information that is shown on the hand-written communicating systems.

Calculating Machines

RAPID mathematical calculations, like rapid communication, are very necessary in order to keep pace with this speedy age. The analysis of commercial depositors' accounts is but one of the places where calculating machines are proving their worth in the economical operation and management of banks. Another is in the computation of interest, not of savings alone but also of the many types of declining balance loans. This is particularly true in the latter case where the schedules call for unequal payments with all the mathematical problems that this method entails. Ascertaining the value of premium bonds at coupon dates, the amortization of the premiums, computing elapsed working time of employees, calculating the value of foreign currencies and figuring accruals are some of the other ways in which such machines can be used.

A bank which prepares its statements for the executives on a departmental basis can hardly operate without a calculating machine. To make all the required breakdowns of income and expenses between departments, or to show these in comparison with predetermined standards, would be a tremendous task by the old style pencil and paper method.

There are many different styles of these machines, and the one best adapted to the requirements of the individual bank is a question for the executives of that bank to decide.

Management's Job

KEEPING up with the different types of machine equipment and the methods by which they can be advantageously used is definitely a part of the functions of management. To do this best, however, means that the representatives of the various equipment companies must be given a hearing. These representatives are salesmen, it is true, and as salesmen they are naturally going to extol the virtues of the particular products they represent. They would not be very good salesmen if they did not. But this does not detract from their value; rather, it adds to it. It enables the prospective buyer to measure the good points of the various machines one against another.

Too frequently bank executives fail to recognize this fact and delegate the interviewing of salesmen to those who do not have authority to buy. Evidently they reason that they do not wish to be influenced by the salesmen's enthusiasm. It is true that some salesmen allow this enthusiasm to lead them into exaggerations and even into claiming that their machines will perform functions that they were never intended to perform. But even this is no excuse for their being shifted from person to person about the bank.

They do represent products that are very essential to profitable banking today. In fact, they have done much towards making present day banking methods possible. They are entitled to be heard by those in a position to act and not to have their story relayed through two or three mouths, losing part of its usefulness with each repeating. Many wise executives realize this and make a point of hearing the salesmen themselves.

It is very often necessary to see actual demonstrations of the machines in the bank itself in order to decide which is best adapted to the individual requirements. More often than not one machine will excel in one feature and another in some other feature. Therefore, it is only by investigation that a banker can appraise the equipment.

By giving voice to their operating needs and utilizing the information at their disposal, bankers can improve the efficiency of banking methods as much in the next quarter of a century as it has been improved in the last.

The Legal Answer Page

Automobile Financing

BANKS which handle automobile paper by purchasing the conditional sale contract and purchase-money note from the dealer will want to consider carefully the consequences of a recent decision by the Arkansas Supreme Court. [Commercial Credit Co. v. Childs, Feb. 26, 1940, reported in United States Law Week of March 12, 1940 at page 439.]

An automobile finance company, as purchaser of a conditional sales contract and purchase-money note, sued to get possession of the car for default in payments under the contract. The buyer defended that he was induced to purchase the used car by the dealer's fraudulent representations as to its value and condition.

The Arkansas Supreme Court held that this constitutes a good defense. The automobile finance company is chargeable with the fraud of the dealer in selling the used car. It is not, as it contends, an innocent purchaser of the note and contract. "The note and contract are attached and constitute one instrument. A printed assignment from the dealer to the finance company appears on the back of the instrument. The note, contract and assignment were executed and signed the same day.

"The finance company was so closely connected with the entire transaction that it cannot be heard to say, in good faith, that it was an innocent purchaser for value before maturity. It financed the deal, prepared the instrument, and on the day on which it was executed took an assignment of it from the dealer. 'Rather than being a purchaser of the instrument after its execution it was to all intents and purposes a party to the agreement and instrument from the beginning.'" [Quotation from United States Law Week.]

Government Checks— Service Charges

IN view of the constantly increasing multiplicity of checks being issued by Federal, state and municipal authorities, a serious question arises whether banks should be reimbursed for the expense of servicing these checks for non-depositors. Although such checks may contain a statement that they are government checks, with the further statement that they are to be paid in full to the payee, there is no legal reason why banks may not make a charge for cashing such checks. It is solely a matter of policy for the cashing bank to determine whether such a charge should be made.

It is true that banks which are members of the Federal Reserve System are not permitted to make such charges on checks forwarded to them for payment by Federal Reserve banks. However, this prohibition relates to charges made against the Federal Reserve banks and not to charges against the bank's customers. There are no known statutes forbidding such charges, although bills of this character have been introduced in various legislatures.

When a bank cashes Federal, state or municipal checks for non-depositors, the bank is purchasing the paper, taking all the risks that ownership implies, which includes responsibility for paying to the proper payee or holder. For these risks, as well as for the cost of their employees' time, banks

may deem it necessary to seek recompense. Before making a decision on this matter, every bank should consider the effect of such a charge on its public relations.

Loan Limitations

DO assignments of accounts receivable fall within the exceptions to the statutory limitations on loans to one borrower contained in the National Bank Act? The Comptroller of the Currency has not ruled on this question, nor is there any case authority in point. In the opinion of some bank attorneys such assignments do not come within the purview of the exceptions. The primary condition for each exception is that there be a discount. It seems a fair assumption that the legislators intended that the term have the meaning ordinarily given it in banking circles. The taking of an account receivable at face value by assignment is not a discount as that term is ordinarily used.

But even if the condition were met, the transaction would not come within any of the exceptions. The pertinent exceptions of "other commercial paper" would seem to refer to negotiable paper. Although there is no authority squarely in point for such an interpretation of this section of the National Bank Act, there are bankruptcy cases which give this meaning to the term "commercial paper." Moreover, the statute seems to presuppose the existence of tangible evidence of indebtedness for it requires that such commercial paper be actually owned by the person "negotiating it to the bank" and that it be "indorsed without restriction" by such person. Assignments of accounts receivable do not, of course, have these characteristics. For these reasons, the conclusion was reached that the exceptions to the ten per cent limitations on loans to one borrower are inapplicable to this type of paper.

Postponing Statute of Limitations

THE question has been raised whether the application of income received from the collateral securing a note, collected and applied by the bank, postpones the running of the statute of limitations on the matured and unpaid obligation.

By the weight of judicial authority, the answer is "no" unless it is expressly agreed between the borrower and the bank that the income from the collateral is to be applied to the payment of the principal. The theory upon which this conclusion is based is that such a payment is not the voluntary act of the debtor or made in pursuance of his direction and therefore is not a recognition by him that the debt exists nor does it indicate an intention to extinguish the debt in part.



The Bankerettes

"Bank Notes" Takes a Bow

A TWO-NIGHT stage performance before 3,500 people, a half-hour broadcast over a local radio station, a floor show for 800 people at a country club, and city-wide attention for the St. Louis Chapter, American Institute of Banking Section, were the achievements of that organization growing out of its presentation of "Bank Notes", a lively variety show put on by nearly 100 bank employees in the St. Louis area.

The *Post-Dispatch* and *Globe-Democrat* both used pictures of the performances, and a great deal of favorable comment was heard both in and out of the press. The effort was so successful, in fact, that the AIB Dramatic and Glee Club has been organized to stage next year's show.

Three Little Notes



Director and players



Ooops!



Hoosier Swingsters



PHOTOS COURTESY ST. LOUIS POST-DISPATCH

We Are Pleased to Present



IN BANKING'S Digest, starting on page 89, are extracts from some of the excellent material developed at the Eastern Regional Conference on Savings and Commercial Banking, March 6 to 8 in New York. As heretofore, a feature of the Conference was the Educational Display of bank machinery and equipment

Left, head of the table at the luncheon for manufacturers' representatives. Left to right, George L. McCarthy, president, Recordak Corp.; Robert M. Hanes, President, A.B.A.; Harold Stonier, Executive Manager, A.B.A.; John A. Zellers, vice-president, Remington Rand, Inc.; Frank W. Simmonds, Senior Deputy Manager, A.B.A.; G. Fred Berger, treasurer, Norristown-Penn Trust Co., Norristown, Pa., who presided at the meetings which the manufacturers' representatives held



*Above, left, a scene from BANKING's film, *Money at Work*, which was shown at the New York and Denver conferences. Above, right: Left to right, Charles C. Handy, president, Savings Bank Association*



of Massachusetts, Roger Hull, general counsel, National Association of Life Underwriters, Thomas S. Holden, vice-president, F. W. Dodge Corp.

*Below, two scenes from *John Sterling Finds the Answer*, which was part of the Conference program*



ALL PHOTOS BY SOCIETY
BANKING

**EASTERN REGIONAL CONFERENCE, AMERICAN BANKERS ASSOCIATION
MEETING OF MANUFACTURERS OF BANK EQUIPMENT AND SYSTEMS
JOHN STERLING FINDS THE ANSWER (NEW YORK PRESENTATION)**



SOZIO PHOTOS

Above, left: Luncheon for representatives of bank equipment and machinery manufacturers, who held a series of meetings (above,

right) immediately preceding the Regional Conference. Practical suggestions were developed on purchasing and other matters



EWING GALLOWAY

Above, a view of Denver, with the Civic Center in the foreground. **BANKING** could not obtain pictures of the Denver Conference in time for publication in this issue

Below, the cast of bank employees in *John Sterling Finds the Answer*. This clever skit was produced in Denver as well as New York



SOZIO

Massachusetts Thrift

THE story of Massachusetts thrift, the part played by savings banks in building the state and the importance of thrift and savings in every citizen's life is told in a new sound motion picture, *The Massachusetts Way*. This film was produced as a part of the 1939 advertising campaign of the Savings Banks Association of Massachusetts. In two short reels, seven and a half and 12 minutes in length, respectively, a vivid picture is given of how savings banks serve the individual and the community.

The first reel, designed primarily for distribution to the motion picture theaters of the state, is in the form of a news reel in which Senator Henry Cabot Lodge, Jr., Senator David I. Walsh, and Governor Leverett Saltonstall pay tribute to the mutual savings banks of Massachusetts. The picture opens with a view of Leonard Ware, editorial writer for the *Boston Herald*, sitting in his study and commenting upon the need for a renewal of the spirit of thrift. As Mr. Ware speaks, he calls attention to a recent newspaper interview with Senator Lodge and the picture dissolves to Senator Lodge speaking. In the same manner, Senator Walsh is shown speaking at a meeting of savings bank officials. As the Senators speak, the film pictures the matters which they are discussing. Reel one ends with Governor Saltonstall's words of praise for Massachusetts thrift.

In reel two, Mr. Ware continues as narrator and, by the use of an ingenious contrivance of wheels within wheels, tells how savings bank deposits are put to work. Reel two deals much more directly with the operation of savings banks and, combined with reel one, is designed for showing at clubs, schools and churches.

Throughout the picture, the technique followed is that of

portraying what the narrator is talking about. For example, a Mr. Ware states that 47 cents of the savings bank dollar is invested in mortgages, the camera shows an applicant for a mortgage in a savings bank, and then a house under construction. When the investment in state and Federal bonds is discussed, the film portrays the building of schools, sewer and water systems, made possible through the purchase of government bonds. So too, the investment in utilities is pictured by showing power plants. Throughout the picture the fact predominates that on the average, \$1,500 in investment of savings must be made in plant and equipment to put one man to work.

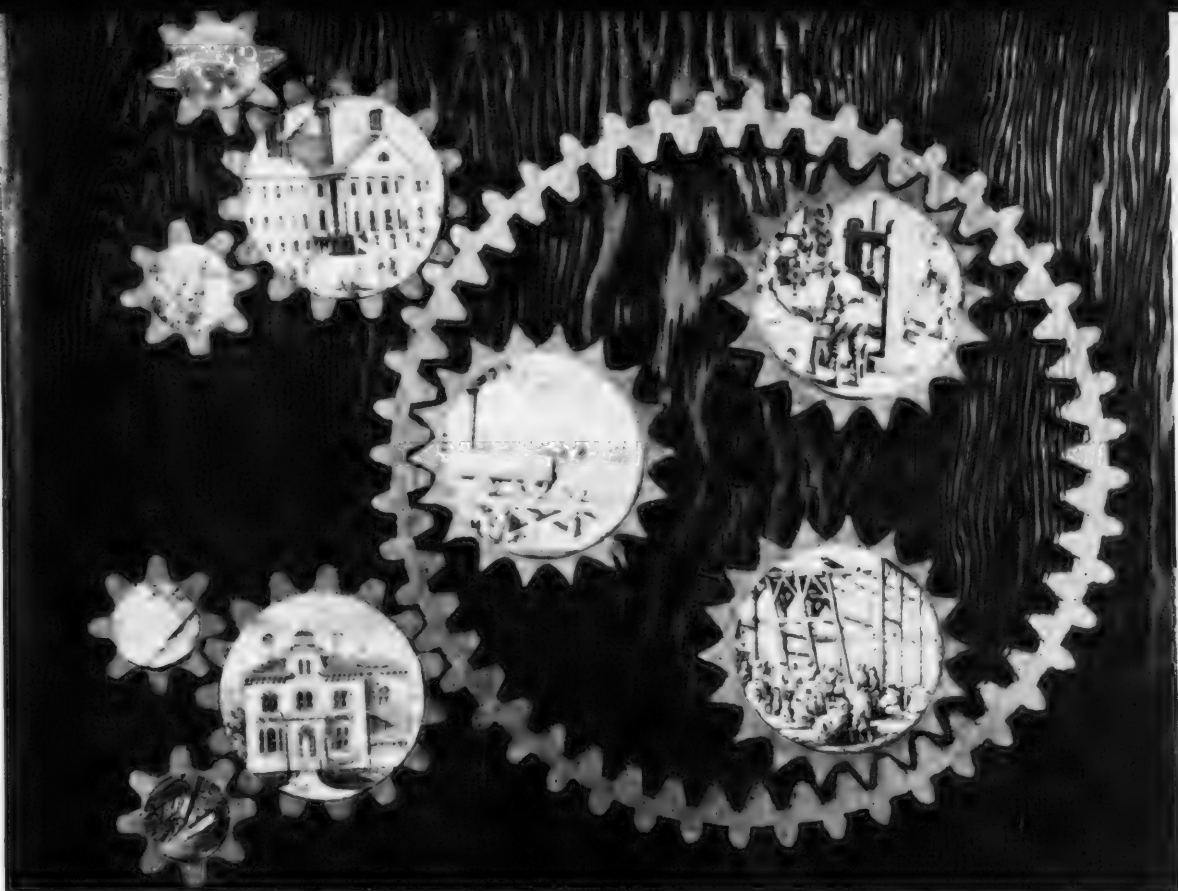
Another theme emphasized in the picture is the wisdom of saving *before* instead of *after* spending, with Christmas Clubs as an example. Appearing also in the picture are scenes of bank customers depositing their savings, exterior views of many savings buildings and typical scenes in Massachusetts industries. The reel closes with a silhouette visualization of the growth of the passbooks for three generations of the Richard Quincy family, who saved to achieve their desires.

Reel one is being distributed free of charge to the motion picture theaters of the state and, within a period of a year, it is expected that it will be shown in at least half of these theaters, reaching a total audience of over half a million people.

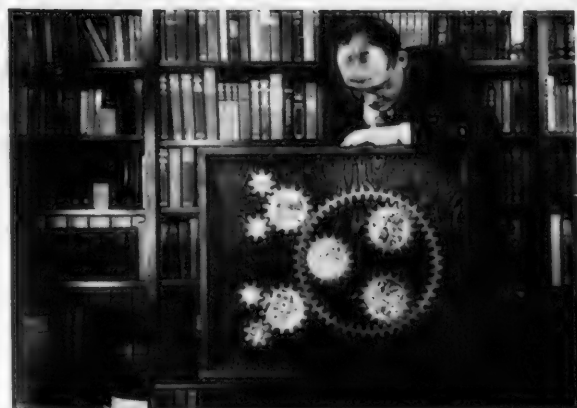
Reel one and two combined are made available on 16 mm. film through local savings banks for showings to schools, clubs and church groups and are proving an excellent medium for telling the story of savings banks to high school and junior high school pupils, to parent-teacher associations, and to service, civic and church clubs.

Stills from *The Massachusetts Way*. Top left is Leonard Ware, editorial writer of the *Boston Herald*, who acts as commentator. Top right is Senator Henry Cabot Lodge, Jr., who talks on thrift





Above, the ingenious mechanism that serves as theme for the second reel. Below, a cross section of the scenes that accompany the film commentary



A Picture of Bank Advertising

THE Advertising Department, American Bankers Association, has just analyzed 583 answers to a questionnaire on bank advertising practice and preferences. The questions covered newspaper advertising, posters and direct mail material, and the answers afford valuable data worthy of careful study. A few of the salient points are presented below in chart form.

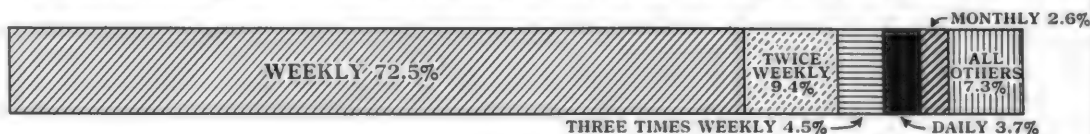
Some of the material not shown in the charts may be summarized briefly. For example, banks were asked what size newspaper space they used. A majority, or 55.2 per cent, showed

a preference for 4" x 6" (2-column) space; 11.2 per cent use a 6" x 9" (3-column) space, while the remainder use varying sizes.

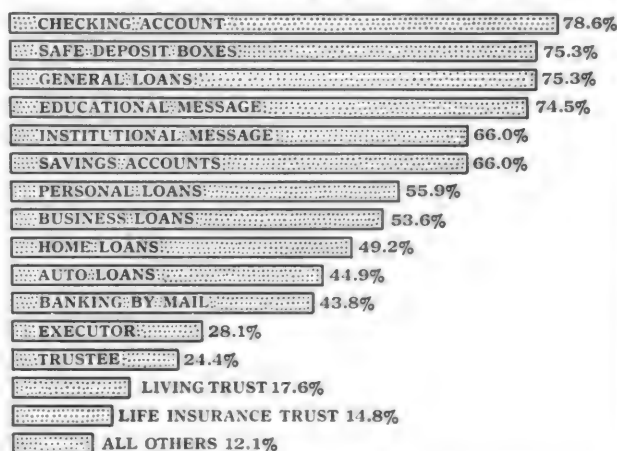
Illustrations are wanted in ads by 82 per cent of answering banks, and a third of them want a "dominant illustration" to appear in their ads.

Questions on the material prepared for banks by the A. B. A. Advertising Department showed almost complete approval of its general effectiveness, text matter, design and illustrations.

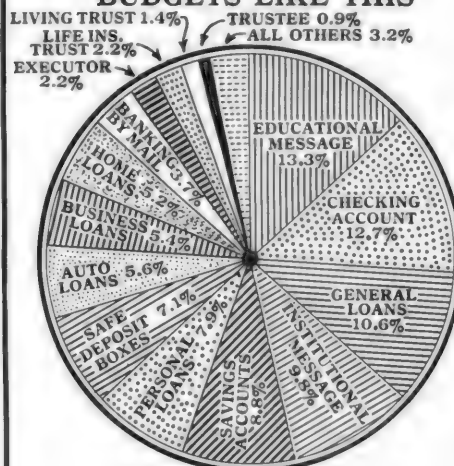
FREQUENCY OF PUBLICATION OF NEWSPAPER ADVERTISING



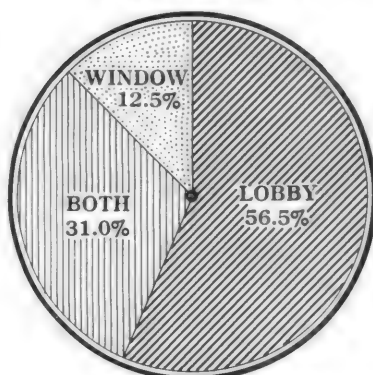
THE PERCENTAGE OF TOTAL ANSWERING BANKS WHO MENTIONED THE FOLLOWING SUBJECT



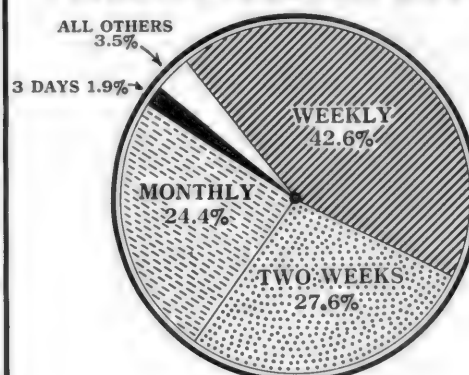
ALL BANKS RESPONDING WOULD APPLY THEIR BUDGETS LIKE THIS



WHERE DISPLAY POSTERS ARE PLACED



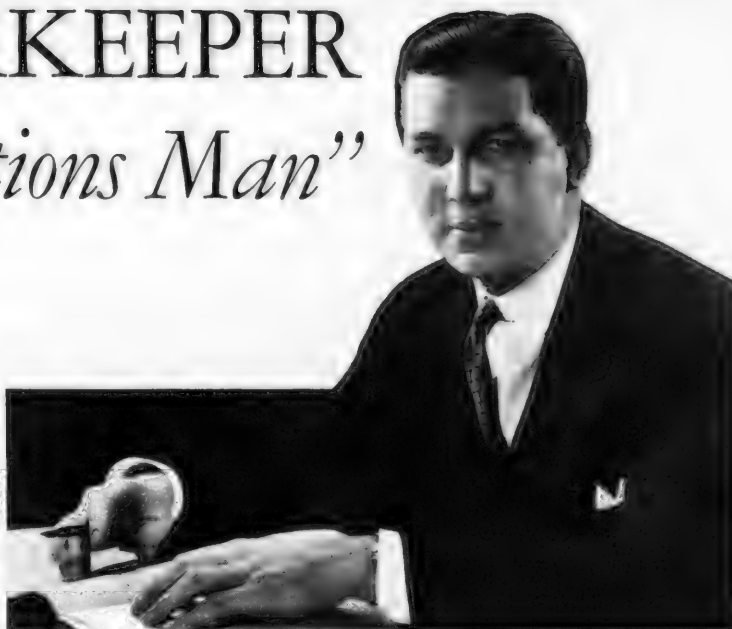
FREQUENCY WITH WHICH POSTERS SHOULD BE CHANGED



The BOOKKEEPER

"Public Relations Man"

the public
never sees



WHEN a customer visits the bank often, the men at the windows have ample opportunity to "sell" goodwill and confidence by efficient personal service. But when his dealings with the bank are conducted through his employees or by mail, the bank's principal "contact" with its depositors is the monthly statement.

And that makes the bookkeeper... the man behind the monthly statement... a genuinely important factor in "public relations."

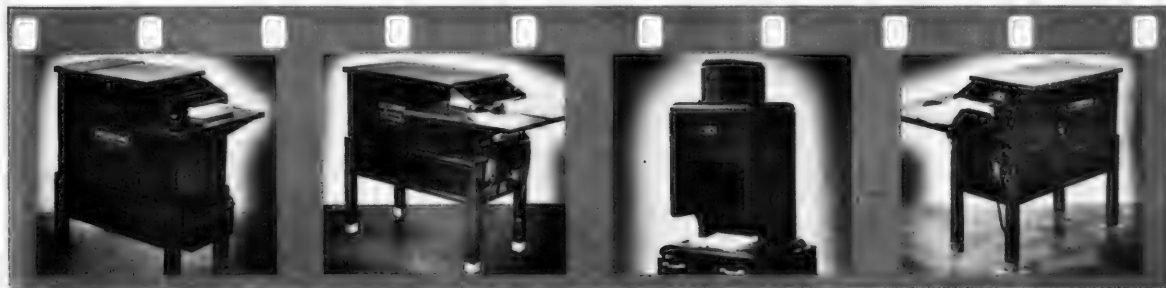
By installing the Recordak Photographic System of Single Posting, the management makes it possible for the bookkeeper to provide depositors with an improved and simplified monthly statement... Recordak enables the bookkeeper to function with the accuracy, efficiency, and safety made possible by photographic (i.e., error-proof) records... photographic methods save up to 40% in

bookkeeping department overhead... constitute one of the greatest single steps a bank can take in the direction of enhanced customer satisfaction.

The bookkeeper can say to depositors: "From now on, in the event of loss or destruction of your own financial records, we will be able to protect you with an exact photograph of every check charged on your monthly statement."

Of importance to the depositor as well as to the bank is that Recordak photographic records are tamper-proof, extraction-proof, and substitution-proof.

Recordak Systems require no capital outlay; the machines are rented, not sold. Recordak Systems are serviced from twelve conveniently located offices... one close to your bank. For further information, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.

Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightening speed.

Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).

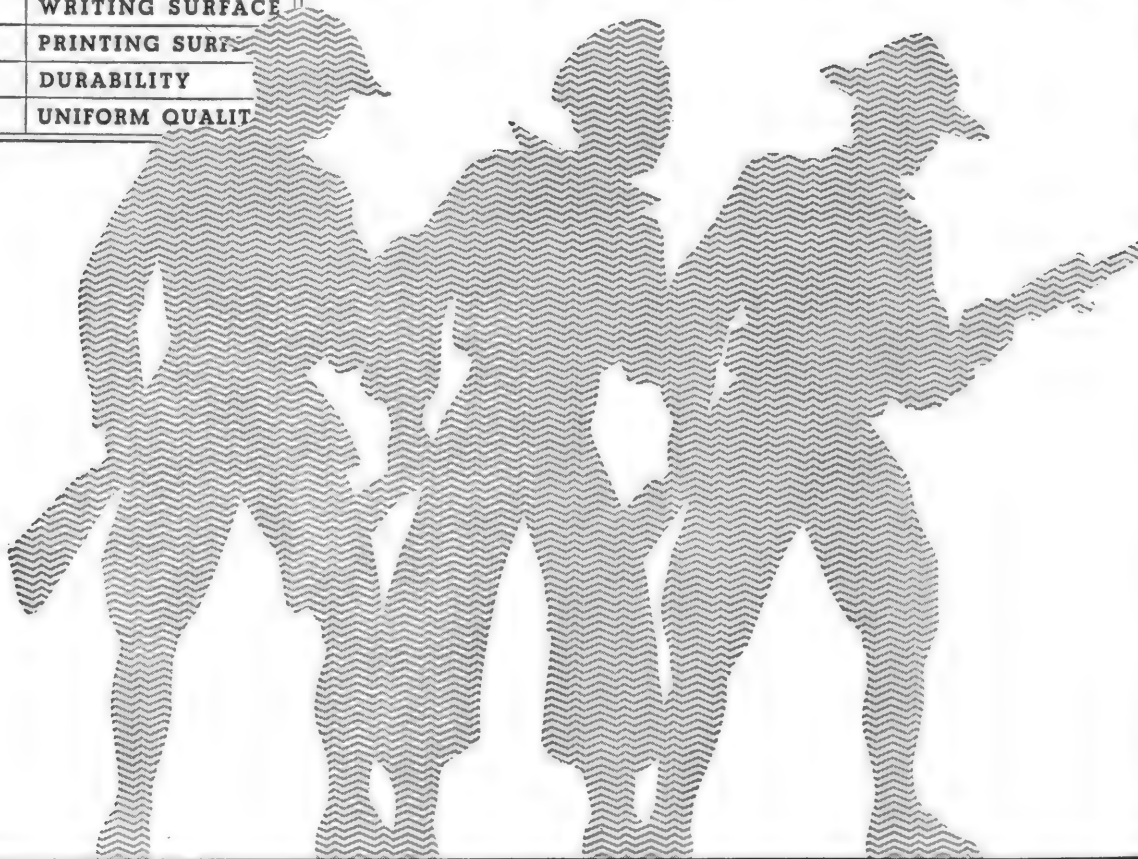
Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS

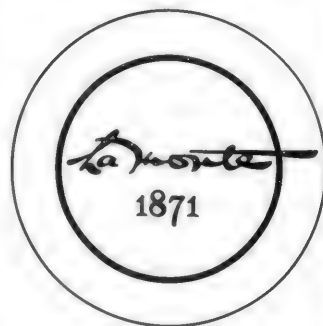
**REASONS WHY BANKS PREFER
LA MONTE SAFETY PAPERS**

✓	PROTECTION
	GOOD WILL VALUE
	RECOGNITION
	PRESTIGE
	INDIVIDUALITY
	ACCEPTANCE
	WRITING SURFACE
	PRINTING SURF.
	DURABILITY
	UNIFORM QUALIT

PROTECTION



Our Soldiers, Sailors and Marines inspire a feeling of safety—a satisfying sense of security. Leading Industrialists and Bankers who specify La Monte Safety Papers for their checks, experience a similar gratifying feeling of safety and security. They know that “the safety paper with the wavy lines” measures up to their exacting demands for quality and protection.



GEORGE LA MONTE & SON, NUTLEY, N. J.

Simplified Forms

Save Time and Money

THE primary functions of a paying and receiving teller embrace: (1) receiving deposits, (2) cashing checks, (3) custody of cash.

Under the system outlined herein, the duties of a paying and receiving teller are confined almost entirely to *accounting for cash* (a) received on deposits, and (b) paid out for checks cashed. His duties with respect to checks deposited amount to little more than to *receive and pass them on* to the proof and transit department for verification and distribution.

Deposits Containing Cash Only

1. EXAMINE and count cash while the customer is at the window.

2. Enter amount of deposit in the depositor's pass-book or authenticate a duplicate deposit ticket.

3. Make out cash ticket (Illustration 1) for the amount of currency and/or coin composing the deposit.

4. Place teller stamp on face of deposit ticket.

5. Place deposit ticket and teller's cash ticket (Illustration 1b) in a receptacle, pending pick-up by the proof and transit department.

Deposits Containing Cash and Checks

1. EXAMINE and count cash.

2. Make out cash ticket (Illustration 1) for the amount of currency and/or coin in the deposit.

3. Look at first and last checks in the deposit to see whether they are properly endorsed.

4. See that checks are described on deposit ticket.

5. Enter amount of deposit in the depositor's pass-book or authenticate a duplicate deposit ticket.

6. Place teller stamp on face of deposit ticket.

7. Place cash ticket (Illustration 1b), checks and deposit ticket in a receptacle, pending pick-up by the proof and transit department.

(NOTE: If time permits, the teller may prove, on the back of the deposit ticket, the correctness of the listings, addition, etc., of the deposit, before placing in the proof and transit receptacle.)

DISCUSSION INVITED

THE publication of this material each month is for the purpose of stimulating nationwide discussion on the vital question of simplified forms. The work is experimental and exploratory.

Checking account and general ledger forms were discussed in the January and February issues, respectively, and Wage and Hour and Social Security forms were the subject of last month's article. Similar material will appear in subsequent issues.

MARKETING BANK PRODUCTS

THIS month's discussion, like that in January and February, is taken from a study by the Virginia Bankers Association, under the direction of Louis Bishop, cashier of the State-Planters Bank & Trust Company, Richmond.

Speaking before the recent Eastern Regional Conference of the American Bankers Association, Mr. Bishop stressed that banks must improve their operating efficiency by simplifying business forms and systems.

"Through simplification of forms and systems," he said, "and through the better organization of our staffs, we can make tremendous progress in reducing costs of our two products, service and credit, so as to market them at the lowest possible figure."

Deposits Containing Checks Only

1. LOOK at first and last checks in the deposit to see that they are properly endorsed.

2. See that checks are described on deposit ticket.

3. Enter amount of deposit in the depositor's pass-book or authenticate a duplicate deposit ticket.

4. Place teller stamp on face of deposit ticket.

5. Place checks and deposit ticket in a receptacle, pending pick-up by the proof and transit department.

(NOTE: If time permits, the teller may prove, on the back of the deposit ticket, the correctness of the listings and addition of the deposit, before placing in the proof and transit receptacle.)

Cashing Checks

IN cashing checks the following procedure should be followed:

1. Exercise proper precautions with respect to:

- (a) Identity of person presenting
- (b) Sufficiency of drawer's balance
- (c) Correctness and genuineness of endorsements
- (d) Signature
- (e) Date
- (f) Agreement of amount in body and figures
- (g) Alterations
- (h) Stop payment or other special instructions

2. Place teller stamp on face of check.

3. Disburse cash for the amount of the check and place check in cash drawer, or other special receptacle. (Do not confuse with proof and transit receptacle mentioned under "Receiving Deposits".)

Split Deposits

THE following deals with checks which are presented occasionally by customers with the request that only a part of

... FORMS

the check be deposited and the balance paid in cash. In effect, this is equivalent to cashing the entire check and accepting a part back for deposit. A transaction of such nature may be handled as follows:

1. Enter "short" on the deposit ticket the amount of the check, and subtract the amount of cash returned to the customer. The remainder obtained (the amount to be deposited) should be extended into the money column on the deposit ticket. This is illustrated below:

Currency		
Coin		
Checks on: Bank		
68-900		
\$133.00 Amount of check		
28.00 Less cash		
Deposited	\$105	00

2. Place teller stamp on face of check, and place check in cash drawer, or other special receptacle, with other checks cashed.

3. Give the customer amount of cash called for by the transaction.

4. Make out cash ticket for the amount extended into the money column on the deposit ticket.

5. Place teller stamp on face of deposit ticket.

6. Place deposit ticket and cash ticket in the proof and transit department's receptacle.

(NOTE: Attention is called to *Opinions 1966a and 1967a*, Paton's Digest, relative to the dangers involved in the practice of splitting deposits. It is there pointed out that banks should have some acknowledgment in the handwriting of the customer that he received cash.)

Disposition of Checks Cashed

AT the close of business (or oftener if the volume justifies) the teller should dispose of checks cashed, as follows:

DISCUSSION FROM BOSTON

IN discussing some of the forms that have appeared in recent issues of *BANKING*, A. W. Deibert, assistant cashier of the National Shawmut Bank of Boston, says that "despite the fact that there is 'one best way', there will always be room for several ideas on the same subject. However, I do think that we can agree on one or two variations that will fit most cases. The usual answer that 'Our requirements are different', or 'Yes, but you are a large bank' is, more often than not, an excuse for doing nothing."

Mr. Deibert's interesting comments follow:

Here are a few general principles which we have tried to follow: A check-size advice form, 8 $\frac{3}{4}$ x 3 $\frac{3}{4}$, has been adopted as standard. Two standard window envelopes are provided for either right- or left-hand address position. The letter style of form has been discarded. Caption and heading tell the story. We believe that information set up in this form is more readily grasped by the reader. Ruled lines are eliminated if the form is to be typed. Folding is eliminated or reduced to a minimum. Every form is given a caption that identifies the general nature of the information. Where there is not sufficient volume to set up a fanfold operation, forms are printed in perforated strips for the purpose of saving the time of the typist.

SIGNATURE CARDS—A card 6 x 4 $\frac{1}{2}$ in size has been suggested. Our present 5 x 3 card appears to serve its purpose very well and I believe that this size is more commonly used. However, I do not believe that any bank will want to change the size of its signature card unless this is absolutely essential. It would be necessary to obtain new cards from all customers, and, aside from the expense involved, I do not believe that we should bother the customer unless it is absolutely essential.

The small bank will, no doubt, find it convenient to use the reverse side of the signature card for general information purposes. In our case, I believe that our new account report and central information file give us everything that we want. I also have a feeling that most small banks would do well to consider some sort of a simple central information file.

I can understand the reasons underlying the suggestion that service charge requirements be printed on the cards. Just at this time, the subject of service charges is receiving attention. However, I can think of many items that could be printed on the signature card if we followed the same line of reasoning. Briefly, I don't think that this is a good method of avoiding the occasional complaint from a customer who is looking for loopholes. He will find them anyway.

POWER OF ATTORNEY—A card form has been suggested, and I find no objection to that method. It so happens that we use a separate form, which we file in a "cashier's instructions file" together with resolutions of boards of directors and similar authorities supporting signatures.

OVERDRAFT NOTICE—We use a typed letter on overdrafts of \$3 or more. A printed notice is used only for smaller amounts. At one time we did use a printed form for all overdrafts. In adopting the letter, except for small amounts that can be attributed to service charges, it was our feeling that a printed notice would tend to create the impression that overdrafts were not a cause for very much concern within the bank. I can't say whether or not the letter has produced the desired result. Our overdrafts have been reduced materially in recent years; however, there have been other factors that contributed.

CUSTOMERS' CHECKS—I believe that the number of different styles of customers' checks that we are using represents an irreducible minimum. Banks generally have done a splendid job in connection with the standardization of checks which they are supplying to customers. However, I think we can go one step further and attempt to educate those customers who are furnishing their own checks. We may not be able to get them to conform to standards established by the American Bankers Association in all respects, but I believe that we can get them at least to follow size standards and to design their checks for banking purposes rather than their own highly individualistic requirements.

DEPOSITS FORMS—The suggestion is made that deposit tickets be designed to serve both checking and savings accounts. Perhaps it can be done in the very small bank. In larger banks I am afraid that it would cause confusion. The form illustrated in January did not provide space for a savings account number, and I am wondering just how this was to be taken care of.

CERTIFICATIONS—We are using the suggested method and our forms and stamps agree in general. The suggestion that these certification forms be used for both checking and savings accounts is interesting to me, for I did not know that it was a common practice to certify savings withdrawals. We will issue a limited number of cashier's checks, but we try to insist that savings accounts be savings accounts and not commercial accounts. We have installed the Register Check system for the purpose of serving the customer who does not need or cannot afford a regular checking account. I had hoped that the practice of checking against so-called thrift accounts had been pretty well discouraged within the last few years. Apparently, this is not the case. I would like to know more about it.

1. Make a list in duplicate (Illustration 2), by means of carbon paper, of the checks cashed.
2. Describe checks on duplicate list, which is retained by teller.
3. Place checks and original list in proof and transit department receptacle. (List is used by P. & T. as a credit ticket to the teller.)

At the close of business each day the teller should prove his cash and make out the teller's settlement sheet (Illustration 3):

1. Enter amount of previous day's cash (opening cash) opposite "cash balance forwarded" on credit side of teller's settlement sheet.
2. Count, itemize and total the cash on hand on the back of teller's settlement sheet. (This will include cash items and held-over clearings, if handled by the teller, as well as currency and coin.)
3. Enter total of cash on hand (closing cash) opposite "cash balance today" on debit side of teller's settlement sheet.
4. Enter in debit column opposite "proof and transit" the amount of cashed checks delivered to proof and transit for credit. (If clearinghouse is cleared through a teller, the teller should also debit proof and transit with the amount of the current day's incoming clearinghouse list.)
5. Enter in credit column opposite "proof and transit" the amount of cash taken out of deposits. This figure is obtained by adding the individual amounts on the teller's cash release slip (Illustration 1a). (If clearinghouse is cleared through a teller, the teller should also credit proof and transit with the total amount of the current day's work received.)
6. Debit or credit other tellers covering inter-teller transactions such as "buying" and "selling" of money, checks issued by one teller for another, etc.
7. Debit or credit "difference account" on teller's settlement sheet to cover "outs" in the cash.
8. The debit side should agree with the credit side. Verify each total with proof and transit, and with each teller affected. (The amount debited on this sheet to proof and transit should agree with the amount credited on their sheet, etc.). Sheet should be dated and signed, and then delivered to general ledger bookkeeper for the purpose of posting cash.

It is not unusual for a teller to handle miscellaneous internal transactions which would not come within the normal routine of receiving deposits from and cashing checks for customers. Several typical illustrations are:

1. The proof and transit department presents a debit ticket against the "clearinghouse exchanges" account on general ledger for the purpose of obtaining cash with which to pay a clearinghouse difference; or, an officer presents a debit ticket against the "expense" account on general ledger in order to obtain money for traveling expenses.

Procedure: The teller should handle such debit tickets as though they were checks cashed; that is, these items should be included in the list of checks cashed (Illustration 2).

2. The proof and transit department presents cash and a credit ticket to the "clearinghouse exchanges" account on general ledger representing payment received for a clearinghouse difference; or, cash is presented with a credit ticket to "exchange", "service charges", "expense", etc.

Jul 17-1	
(Drawn On)	(Cashed For)
	.00*
1-1660	28.95 Richard Roe
68-999	35.00 John Doe
87-599	42.50 Jack Smith
66-999	18.75 James Jones
C.H.Exch.	46.89 Proof & Tr.
Expense	50.00 Mr. Officer
255.54*	

[illegible]

Top right is ILLUSTRATION 1a, $3\frac{1}{4}'' \times 8''$, showing how ILLUSTRATION 1b, $3'' \times 5''$, bottom right, is placed. Above, is ILLUSTRATION 2, which is $4\frac{1}{4}'' \times 11''$; yellow paper is used and the form is not printed.

To the Editor:

WHILE reading an article on page 49 of the February issue of BANKING, under the title "Simplified Forms Save Time and Money", the thought occurred to me that you might be interested in the recent activities of this Department toward the improvement of bank records.

Early in 1939 we held a joint conference with the examiners of this Department and those of the Federal Deposit Insurance Corporation making examinations in this state for the purpose of agreeing upon and adopting a complete set of simplified, uniform records to be recommended to the banks in the state. Through the cooperation of the Arkansas Printing and Lithographing Company, a local concern, a complete set of these records was arranged in an interesting display at our Bankers' Seminar held at the University of Arkansas in August of last year. This display created considerable interest, and we feel that our efforts along this line have been amply justified by the results obtained.

Each of the examiners of this Department and of the Federal Deposit Insurance Corporation was furnished an attractively bound copy of a complete set of these records to carry in his brief case. We have been informed that this is somewhat of a pioneering cooperative effort on the part of supervising authorities. We have had a number of inquiries from outside banking authorities and printing companies for copies of these forms.

Observation and experience have taught us that a great deal of thought and care should be given to the installation or recommended changes of bank forms, particularly with the smaller institutions, avoiding records too complicated for the management in some cases and also the expense of installation that in some instances can not be afforded by the institution. We are approaching the problem more or less from an educational standpoint rather than from a regulatory one, and, as stated above, we are pleased with the results obtained thus far.

G. S. JERNIGAN
State Bank Commissioner
Little Rock, Arkansas

Banks Furnish Data on Loans Contribute Figures To A.B.A. Survey

Data on bank lending activity during the last half of 1939 are being compiled by the Research Council of the American Bankers Association.

The Council is tabulating replies to a questionnaire sent to all members of the Association asking the totals of new loans, loan renewals, new mortgage loans on real estate, lines of credit in use, and other information. A similar survey was made for the first six months of last year and its results published in a pamphlet "Bank Lending Activity."

President Robert M. Hanes, in distributing the questionnaire to the banks, also sent them a letter calling attention to the first study, and pointing out that its aim was "to obtain first-hand facts to combat popular misconceptions regarding the diligence of banks in servicing the borrowing needs of their communities and the nation."

"I can report to you without reservation that the information as to the first half of 1939 which resulted from that questionnaire and was distributed nationwide through the press of the country has literally created a new public attitude toward banks in respect to their lending activity. This has been particularly manifest at Washington where currents of public thought converge and exert powerful influences on legislative action."

"If we are not to lose the benefits thus far gained in putting the banks right before the people of the nation it is essential that the real story of bank loans made and renewed be kept constantly before them, and we can do this only with your continuing help," President Hanes asserted.

"Help us to help you and the future of private chartered banking by giving us the required information as quickly as possible."



Mr. Anderson

**G. E. Anderson, Writer
For "Banking", Dead**

George E. Anderson, many years a writer for **BANKING** and other publications, died March 17 in Washington at the age of 70.

Mr. Anderson, former United States consul in the Far East, Europe and South America, had an intimate knowledge of the Washington scene. He wrote with particular expertness on international trade and finance.

Legal Department Drafts Note Forms

In an effort to develop forms of secured and unsecured instalment notes that could be recommended to bankers throughout the country, the Legal Department of the American Bankers Association has made a study of the note forms used by a number of the larger New York City banks and combined what were deemed to be the good features of all into two note forms to be used as a basis of further study.

These drafts have been sent to the counsel for the Federal Reserve banks and to the secretaries of all state bankers associations and their counsel, inviting suggestions.

Michigan Was Third

In the membership story on page 60 of March **BANKING**, Michigan, home state of Dunlap C. Clark, Membership Committee chairman, was accidentally omitted. That state, with 28 new members through Jan. 31, should have been placed third among the states showing the largest gains.

A.B.A. Gains 393 New Members In First Half of 1939-40 Year

Spring Meeting

The annual Spring Meeting of the Executive Council, American Bankers Association, takes place April 21-24 at The Homestead, Hot Springs, Virginia. In Association affairs this gathering is second in importance only to the Annual Convention.

Offers Model Law on State Supervision

All the energies of members of the Committee on State Legislation, American Bankers Association, are focused on the drive to improve the status of the state banking departments.

The Committee has drafted a model statute providing for the appointment, tenure of office, salary and qualifications of the bank commissioner and of the departmental personnel.

In order that there be adequate time to consider these proposals before the next meeting of the state legislatures, every effort is being made to have the subject and suggested statute discussed soon by all interested parties.

Busy Schedule for President Hanes

President Hanes' engagements in the next few months include visits to the conventions of the following state bankers associations:

April 4-6, Florida, Palm Beach; May 9-11, North Carolina; May 16, South Dakota, Watertown; May 18, New Mexico, Albuquerque; May 22-24, California, Del Monte; June 6, Minnesota, Minneapolis; June 8, Wyoming, Thermopolis; June 10, Idaho, Sun Valley; June 13, Washington, Tacoma; June 17, Oregon, Gearhart.

Mr. Hanes also expects to attend the American Institute of Banking convention at Boston early in June.

The end of the first six months of the current American Bankers Association year on Feb. 29 found 393 new members as against 302 for the equivalent period a year ago.

The material reduction in the percentage of non-member banks in several of the states is particularly impressive.

Dunlap C. Clark, as Chairman of the Membership Committee and state vice-president, in addition to stimulating the membership campaign throughout the whole country, brought 31 per cent of the non-members in Michigan into the Association.

In New Jersey George W. Heiser of the Committee and George E. Diamant, state vice-president, cut in half the number of non-members. In New York, the other state in Mr. Heiser's area, with R. G. Hannahs as state vice-president, the non-members have been reduced by 20 per cent.

In Minnesota, A. W. Sands of the Committee, M. E. Kalton, state vice-president, B. Murray Peyton, Treasurer of the A.B.A., and Frank Powers of last year's Committee, cut the number of non-members 35 per cent. The campaign of Samuel N. Pickard, state vice-president for Wisconsin, in Mr. Sands' area, achieved a 20 per cent decrease in non-members. In South Dakota, a third state in Mr. Sands' charge, L. C. Foreman, state vice-president, reduced the non-members by 10 per cent.

The aggressiveness of P. D. Houston, First Vice-president of the A.B.A., and his associate, C. E. Dean, has been a large factor in reducing by 24 per cent the non-members in Tennessee, under the general charge of Oliver Woolcott of the Committee and C. D. Walling, state vice-president. In North Carolina, the other state in Mr. Woolcott's area, where R. L. Pope is state vice-president, 14 per cent of the non-members have joined.

The state vice-president of
(Continued on page 56)

6 New States Win Farm-Bank Goal

Two Dozen Now on A.B.A. Honor List

Six more states have reached the honor goal of 1,000 points for banker-farmer activities, a goal established by the Agricultural Commission of the American Bankers Association. These states are: Arkansas, Kentucky, Nevada, New Mexico, New York, and Wyoming.

Eighteen states which have previously made this record maintain it again this year. These are: Oregon, Georgia, North Dakota, California, Washington, South Dakota, Kansas, Vermont, Wisconsin, Oklahoma, Tennessee, Texas, Utah, Alabama, Colorado, Idaho, Minnesota and Virginia.

Consistent Record

"An encouraging feature is," reports Director Dan H. Otis, "that thus far every state that has once made the 1,000-point record has maintained it in subsequent years. The accompanying table shows the number of years each state has made the goal. There are now 24 states that belong to the banker-farmer honor roll."

Georgia is entitled to special honors for having made the goal for 10 consecutive years. Oregon won this honor last year, and because she once again met the required accomplishments, is entitled to add a special plate to the plaque that was awarded her bankers at the Seattle Convention of the A.B.A. last Fall.

Georgia's Work

"Since Georgia graduates into the 10-year honor class, special mention of her banker-farmer activities is in order," Mr. Otis says. "The bankers of Georgia have been pioneers in the banker-farmer-educator co-operative effort to place the agricultural industry of the state on a more profitable, satisfying basis.

"As far back as the early 1920's, this team inaugurated the practice of diversifying the farm program and getting away from the one-crop (cotton) system of farming. To coordinate all forces into an effective working unit, the agricultural committee of the Georgia Bankers Association joined

hands with the extension service of the College of Agriculture, the Georgia press and other business interests in giving publicity to a program which made the state conscious of the need of the diversified farm program.

"To encourage the plan, The Citizens and Southern National Bank of Atlanta, under the sponsorship of H. Lane Young, president, contributed \$1,000 annually for a period of years to carry on a 'Five-Year Corn Contest'. The result was that cooperating farmers produced from 20 to 25 per cent more corn per acre than the state average. The program gained increasing interest and momentum and included other crops in a 'live-at-home' program.

"Georgia bankers also pioneered in a 'directed credit' program whereby borrowing farmers agreed to produce as much as possible of their food and feed requirements on their farms. After giving ample advanced notice the banks of Georgia conditioned farm loans upon this practice unless good and sufficient reasons were given for making an exception."

The accompanying table "Highest 12-Year Averages" shows Georgia leading during the period in which the rating program has been in effect.

Other states that have made the half-way mark or better are shown in the table "Other High Rating States". Several of these will doubtless reach the goal next year.

TWENTY-FOUR STATES ATTAIN HONOR RECORD IN BANKER-FARMER ACTIVITIES



Table continued

COLORADO	2 YEARS
IDaho	2 YEARS
MINNESOTA	2 YEARS
VIRGINIA	2 YEARS
ARKANSAS	1 YEAR
KENTUCKY	1 YEAR
NEVADA	1 YEAR
NEW MEXICO	1 YEAR
NEW YORK	1 YEAR
WYOMING	1 YEAR

Other High Rating States in 1939

State	Record
Montana	949.3
Mississippi	817.1
Maine	787.3
Pennsylvania	705.7
Illinois	696.1
Louisiana	642.4
Nebraska	547.2

Highest 12-Year Averages

State	Average
Georgia	952.6
Oregon	943.6

North Dakota	857.7
Vermont	822.
Washington	768.7
South Dakota	753.9
California	749.9
Utah	729.4
Kansas	729.2
Kentucky	705.8
Idaho	646.3
Wisconsin	617.7
Tennessee	590.9
New York	589.5
Minnesota	568.3
Nevada	564.7
Alabama	553.5
Montana	516.

Field Conferences Aid Bank-Farm Program Development in Many States

During January and February, Director Dan H. Otis of the Agricultural Commission attended 21 field conferences in 14 states. The attendance at these meetings was 1,202.

Three members of the Commission joined Director Otis at one or more of these conferences: C. W. Bailey, First National Bank, Clarksville, Tenn.; S. A. Jones, Citizens National Bank, Clovis, N. M.; and Ralph J. Comstock, Jr., First Security Bank of Idaho, Pocatello, Ia.

In states where the agricultural committee is composed of new members, these conferences help to develop a program and aid in devising ways and means for carrying it out. Where the work of the committee is well organized and the

members are familiar with the details, an effort is made to rotate the meetings to different sections of the state and have the business session followed by a large banker-farmer meeting to which bankers within driving distance are invited. They in turn are encouraged to invite farmer patrons and members of 4-H clubs and Future Farmers of America.

"In these meetings attended by both bankers and farmers, a noticeable feature is the good will and spirit of cooperation that is developed," says Mr. Otis. "Bankers become more familiar with farmers' problems and farmers realize more and more that bankers are human and that they are their friends, and ready to finance any reasonable farm project."

Bank Service Companies Discuss Methods and Management

Under the auspices of BANKING, representatives of more than a dozen bank equipment and service companies met in New York on March 4 and 5 for a discussion of methods and management problems.

The meetings preceded the Eastern Regional conference of the American Bankers Association. G. Fred Berger, treasurer of the Norristown-Penn Trust Company, Norristown, Pa., presided.

Subjects on the agenda included: the standardization and simplification of forms as regards sizes, quality of paper, reduction in number of sizes, and modernization of records; work planning for the most efficient use of employee working hours to render required service to customers and to conform to the Wage and Hour Act; purchasing procedure as it affects machines and equipment; and the merchandising of bank services.

The discussion covered many phases of these general topics and developed a large number of most constructive suggestions.

Companies and representatives present were:

Allen Wales Adding Machine Corp.: W. A. Ericson, advertising manager and export manager; C. G. Slanson, vice-president.

DeLuxe Check Printers: G. W. McSweeney, sales manager; George H. Littell, eastern sales manager.

Thomas A. Edison, Inc. (Ediphone): S. E. Charles, sales promotion manager; W. L. Eyre.

Hammermill Paper Company: W. T. Eldredge, safety paper division.

Institute of Bank Stationers: E. B. Young, Jr., president of Institute and president of Young & Selden Co.; C. E. Bieth, president and treasurer, Milton C. Johnson Co.; Irwin W. McLean, managing director.

International Business Machines Corp.: W. W. Case, special representative, bank department; Frank McKennett, manager, proof machine department.

George LaMonte & Son: M. L. Haggerty, vice-presi-

dent; James T. Anderson, advertising manager.

Marchant Calculating Machine Co.: John K. Conway, New York manager.

Geo. S. May Co., Inc.: E. S. Woolley, director, bank installations.

National Cash Register Co.: D. D. Moriarty, assistant manager, accounting machine division, New York City; Fred B. Frank, sales division; C. B. Tompkins, manager, accounting machine sales, New York.

Purse Company: Robert P. Kelsey, vice-president.

Recordak Corp.: Frank L. Hilton, Jr., assistant to the president; Geo. C. McMahon, manager of bank department.

Remington Rand, Inc.: L. L. Davis, manager, bank department; Harold Grantham.

Todd Company, Inc.: Fred Scandling, manager of advertising and sales promotion.

A.B.A. Membership

(Continued from page 54)

Virginia, C. L. Robey, in S. A. Phillips' area, has enrolled 22 per cent of the non-mem-

bers, and in Maryland, which is included in E. W. Thomas' territory, John J. Ghingher, the state vice-president, has reduced the non-members by 17 per cent. In another of Mr. Thomas' states, Delaware, whose state vice-president is Harvey D. Williams, the non-members were reduced 12 per cent. In Colorado, J. D. Allen, state vice-president, the non-member list was cut 11 per cent.

In Oklahoma, E. C. Love, state vice-president, the non-member list has been reduced by 16 per cent largely through the efforts of H. W. Koeneke, Second Vice-president of the A.B.A., and Eugene P. Gum of the Committee. Paul T. Betz, state vice-president for Illinois, and T. J. Nugent, member of the Committee in charge, achieved an 11 per cent reduction in that state.

The state vice-president for Iowa, J. J. Miller, and B. A. Gronstal of the Committee, brought 10 per cent of the non-members into the Association. In Vermont, where R. C. Clark is state vice-president, and which is included in E. A. Craig's area, a similar record was made.

CONVENTIONS

American Bankers Association

- Apr. 21-24 Annual Meeting, Executive Council, The Homestead, Hot Springs, Virginia
- June 3-7 American Institute of Banking, Statler Hotel, Boston, Massachusetts
- June 17-29 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
- Sept. 22-26 Annual Convention, Atlantic City, New Jersey

State Associations

- Apr. 4-6 Florida, Biltmore Hotel, Palm Beach
- Apr. 11-12 Georgia, Bon-Air Hotel, Augusta
- Apr. 15-16 Louisiana, Washington-Youree Hotel, Shreveport
- May 2-3 Oklahoma, Tulsa
- May 6-8 Missouri, Hotel Muehlebach, Kansas City
- May 7-8 Tennessee, Hotel Peabody, Memphis
- May 8-10 Kansas, Wichita
- May 9-10 North Carolina, Carolina Hotel, Pinehurst
- May 13-15 Mississippi, Buena Vista Hotel, Biloxi
- May 15-16 Indiana, Claypool Hotel, Indianapolis
- May 15-16 South Dakota, Watertown
- May 16-17 Alabama, Hotel Tutwiler, Birmingham
- May 16-17 Arkansas, The Arlington, Hot Springs
- May 16-17 Maryland, Hotel Traymore, Atlantic City, New Jersey
- May 17 New Hampshire, Hotel Carpenter, Manchester
- May 17-18 New Mexico, Hilton Hotel, Albuquerque
- May 21-23 Texas, Buccaneer Hotel, Galveston
- May 22-23 Ohio, Desher Wallick Hotel, Columbus
- May 22-24 California, Hotel Del Monte, Del Monte
- May 22-24 Pennsylvania, Hotel Traymore, Atlantic City, New Jersey
- May 23-25 Massachusetts, New Ocean House, Swampscott
- May 23-25 New Jersey, The Ambassador, Atlantic City
- May 23-25 Virginia, Hotel Roanoke, Roanoke
- May 28-29 Illinois, Palmer House, Chicago

- June 2-4 South Carolina, Ocean Forest Hotel, Myrtle Beach
- June 5-7 Minnesota, Minneapolis
- June 5-9 District of Columbia, Hot Springs, Virginia
- June 6-8 West Virginia, White Sulphur Springs
- June 7-8 Utah, Logan
- June 7-8 Wyoming, Carter Hotel, Thermopolis
- June 10-11 Idaho, Bozanta Tavern, Hayden Lake
- June 10-11 New York, Syracuse
- June 11-12 Wisconsin
- June 12 Connecticut, Greenwich Country Club, Greenwich
- June 13-14 Washington, Winthrop Hotel, Tacoma
- June 14-15 North Dakota, Minot
- June 17-18 Montana, Many Glaciers Hotel, Glacier National Park
- June 17-18 Oregon, Gearhart Hotel, Gearhart
- June 17-19 Michigan, Pantlind Hotel, Grand Rapids
- June 19-21 Colorado, Stanley Hotel, Estes Park
- June 21-23 Maine, Poland Spring House, Poland

Other Organizations

- Apr. 2-3 Wisconsin Bankers Conference, Madison
- Apr. 4-6 Pacific Northwest Conference on Banking, Pullman, Washington
- Apr. 18-20 Eighth Eastern Regional Conference, National Association of Bank Auditors and Comptrollers, Emerson Hotel, Baltimore, Maryland
- Apr. 28-May 1 Association of Reserve City Bankers, Hot Springs, Virginia
- May 8-10 National Association of Mutual Savings Banks, Statler Hotel, Boston, Massachusetts
- May 17-18 Mid-Continent Regional Conference, National Association of Bank Auditors and Comptrollers, Minneapolis, Minnesota
- Oct. 16-19 Annual Convention, National Association of Bank Auditors and Comptrollers, Saint Louis, Missouri
- Oct. 28-30 Financial Advertisers Association, Hot Springs, Va.

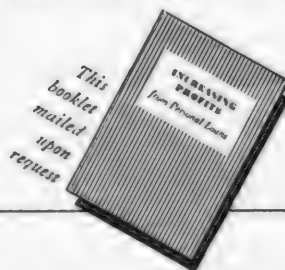
1940

EXPECTED GROWTH OF
PERSONAL LOANS AT
*
BANK & TRUST CO.

1939

*Write in YOUR bank's name!

● Are you satisfied with the results of your Personal Loan Department? If not, we'd like you to know what Protected Loans can do to develop your 1940 business. This Society (first in its field in point of age, experience and volume) has a record of invariably helping to increase profits for any Personal Loan Department which adopts this tested system of insuring borrowers' lives. May we send you our booklet?



THE MORRIS PLAN INSURANCE SOCIETY

420 Lexington Avenue, New York, N. Y.

INSURANCE FOR THE BANKER ON THE LIFE OF THE BORROWER . . . SINCE 1917

Tourists Welcome

By MAURICE F. BLOUIN

This is a continuation of the discussion which Mr. BLOUIN began in March BANKING. In the March article he pointed out the unusual profit possibilities that exist for banks in attracting tourists to their localities through community promotion. He suggested how to get such a promotion plan under way. Mr. BLOUIN is assistant secretary of The Franklin Savings Society, New York, and is in charge of the Society's travel department.

MOTHER Nature can well be used as a tourist attraction. In the Spring, blossom festivals can be promoted; in the Fall, the foliage; in Winter, if the region permits, the entire list of Winter sports can be featured—skiing on jumps and trails, skating, toboggan slides and bobsledding, the whole topped off with a well planned Winter carnival and crowned by a snow queen. The railroads and bus companies are always ready to cooperate with special trains and direct tours to any region.

Don't look to the state publicity bureau to sell a locality, for the bureau has to "wholesale" the entire state. Therefore, the community must retail itself. This does not mean, however, that state and community cannot cooperate. State publicity bureaus will pitch right in and work shoulder-to-shoulder with local committees. The state's reason, like the locality's, is a selfish one, for the state derives revenue in the form of gasoline and oil taxes, while the community or region benefits from the imported tourist spending.

To be most profitable to the bank, regional promotions should emanate from the bank itself. Make the bank the clearinghouse of ideas and the source of action. If the bank is located in a small or medium-sized town, near a large metropolitan center, so much the better, because it can call upon the correspondent metropolitan bank to foster its promotion in that area.

Banks will find themselves making numerous new contacts through regional promotions. A little shrewd maneuvering and diplomacy in inviting or recommending certain business men to serve in an active or honorary capacity on committees can readily open doors that would otherwise remain closed. People like to be associated with "doers".

A good way to keep a regional promotion centered around the bank is to install an information bureau in the bank lobby with a trained attendant to dispense information. Local travel agents will be glad to cooperate for the prospect of securing potential travel business.

If lobby space permits, an exhibit featuring the various outdoor and historical highlights of the region can be included, supplemented by a display of regional industries, and topped off by a directory of outstanding local merchants, restaurants, theaters, etc. Banks sometimes run into trouble with such exhibits—generally, because they are not handled properly. The contention is that certain customers or prospects resent it if they are left out of the display, or if a competitor is given larger space. Such embarrassment can be avoided by completely standardizing the exhibits and getting individual approval beforehand.

A typical tourist promotion setup which may serve as a

pattern is that of the state of Oregon. In order to promote that state's attractions, a travel and information department was first set up, then an advisory committee of a dozen business and professional men from various sections of the state was appointed. Both groups determined what to sell—in this instance, scenic and recreational attractions, readily accessible. An advertising fund was then set aside and media selected. Supplementing the advertising program, a motorist questionnaire was used to get the lowdown on the tourist market. Answers were sought on most interesting state attractions, reasons for coming to Oregon, prospective spending and length of stay.

Among the media that can be used to exploit a region are newspapers, radio, billboards, direct mail, and magazines. The choice of media should be governed by the peculiarities of the market and the classes to be attracted.

Experience has shown that newspaper advertising backed up by a well timed publicity campaign is likely to give a greater return on the advertising investment, for, in addition to the advertising space taken and paid for, the newspaper will often publish, free of charge, interesting photos and articles publicizing the region.

The aid of the local or regional chamber of commerce should be enlisted, and the direction of the promotion turned over to a trained advertising man or advertising agency. The bank should also cooperate actively in selling the promotion idea to the business men of the region.

Obviously, there is a substantial amount of work, and not a few headaches, connected with the successful exploitation of a community campaign such as the one outlined above. It's certainly worth trying, considering the billions of tourist dollars that will be spent this year.

"Train-Auto Service"

AN interesting innovation in railroad travel is that offered by eleven western railroads. After May 1st, this year, in thirty states and in over 150 cities of 10,000 population or over, there will be available to railroad travelers a special train-auto service which, for 6½ cents to 8 cents a mile, places a private automobile at the traveler's disposal for use either for stop-over purposes or at terminals. Due to this plan, many communities and regions, considered as generally off the beaten track, are quite likely to find themselves centers of tourist attraction, especially if they tie themselves adequately into the promotion.

TAKING CHANCES HAS NO PLACE IN BANKING



YOUR BANK NEEDS RECORD PROTECTION FOR CANCELLED CHECKS

Imagine the embarrassment, loss of good will, if you who preach the safety of vaults to your clients should suffer an interior fire and lose the cancelled checks, temporarily in your possession, that belong to your customers!

TWO PLANS

Remington Rand presents two solutions to the problem involved in protecting cancelled checks. 1. The Safe-Check-Desk. A combination check file and machine bookkeeper's desk, with self-levelling extension top for sorting. Capacity: 45,000 checks. 2. The Safe-Check-File.

For filing checks in the department. Capacity: 55,000 checks. Either plan will give these checks the point-of-use protection they deserve.

DAY AND NIGHT SAFETY

Fire strikes swiftly, day and night—no warning—no time to transport records to vaults when lives are at stake. Remington Rand point of use insulated products give day and night safety. Cancelled checks need it!



Safe-Check-Desk. Protected for a full hour against fire reaching 1700 degrees F. New convenience. Maximum capacity.



Safe Check-File. Safe against fire ranging to 1700 degrees F. for a full hour. Great capacity. Unequaled convenience.

SEND COUPON TODAY

Remington Rand Inc.
Department B440
465 Washington Street,
Buffalo, New York

Gentlemen:

Please send full, free, details on protecting our valuable records. Show us how modern bankers even in "fireproof" buildings have stopped taking chances and now provide Remington Rand Safe-Cabinet protection. No obligation. No cost.

Name.....
Bank.....
Address.....
City..... State.....



Remington Rand Inc. BANK DEPARTMENT Buffalo, New York

METHODS and IDEAS

This department of **BANKING** is conducted by our Methods and Ideas reporter, John J. McCann

Scholarship

THE ESTABLISHMENT of scholarships as an award for competitive merit has proved a worthwhile undertaking not only because they give deserving youngsters their longed for "break" but fire enthusiasm all along the line. Group VIII of the New York State Bankers Association is among the latest to offer this kind of assistance. The program provides two scholarships of \$150 each at the State College of Agriculture and Home Economics, Cornell University, for 4-H Club boys and girls who show exceptional promise. This sum covers major first-year expenses which the average needy student cannot work for as he does in the case of board and room. The first awards will be made in September and will be repeated for the next four years.

Fireside Chats

A SERIES OF four 15 minute talks themed to "The Human Side of Banking" was sponsored last month over Station KYW by the Philadelphia Chapter A.I.B. in cooperation with the Pennsylvania Bankers Association. Four presidents representing the largest institutions in the city spoke on topics of



PATRIOTIC DISPLAY

Above, a window display of the Metropolitan Savings Bank of New York City

general interest. Livingston E. Jones, president of the First National Bank of Philadelphia, opened the series with a talk on "Our Banks". John S. Sinclair, president of the Federal Reserve Bank of Philadelphia, discussed the Reserve System. William F. Kurtz, president of the Pennsylvania Company, discussed "The Meaning of Bank Credit, and President James E. Gowen, Girard Trust Co., closed the series with an interesting talk on "Trust Services".

Sack of Silver

A NEW RADIO program fashioned after the popular "Tums" and "Pot of Gold" broadcasts is being sponsored by the

Bank of Michigan, Grand Rapids. A spin of the wheel picks out the page and lucky listing from the telephone directories of Grand Rapids and Kent County. And 20 silver dollars go to the person if the phone is answered within a time limit. If there is no response, the person receives \$5 and the remainder is added to the following program.

For \$20 a night, the program gathers its talent from a home audience that lends a willing ear to commercials featuring personal and automobile loans. Silver dollars are rare and whenever one shows up in Grand Rapids, the spender is spotted as a Union Bank fan.

Adult Education

ENTERPRISING BANK women have done much to further the ends of customer and public relations through individual and group activities. An excellent case example is the special course on budgeting and banking included in the adult education program of the Brooklyn Y.W.C.A., reputed to be one of the most outstanding in the country. This course deals primarily with the problems confronting women who manage their own finances. It treats specifically wills, inheritances, investments and the hazards and leaks in money affairs. Also on the financial aspects of wardrobes, vacations, sickness and emergencies. Individual needs and problems also find a place in class discussion. Students are privileged to submit problems anonymously for clarification and provisions are made for individual consultation. Miss Anne Houstoun Sadler, assistant secretary of the Bank of the

(CONTINUED ON PAGE 63)

BANKING IN COMFORT

Below, a view of the director-customer courtesy room of the recently remodeled and enlarged quarters of the Barnett National Bank of Fort Lauderdale, Florida



"INCREASE TELLER'S SPEED FROM 25 to 35%."

BANK
SURVEY HANDBOOK

a more careful handling of return items. Incidentally, the occasional protestable item is by rule returned the same day received.

12. **Coin Cashier with Cup.** Many banks are equipping their coin cashiers in the tellers' cages with a cup device which extends outward over the deal plate toward the customer. Thus the small change required when cashing checks is delivered automatically while the teller proceeds to count out the currency. It is estimated by some that this attachment will increase the teller's speed from twenty-five to thirty-five per cent. Contrary to first impressions, it has been observed by those using the cup device on their coin cashiers that the customers do not resent this action, but often comment favorably upon it.

13. **Collection Forms.** There are so many steps involved in han-

The above paragraph is reproduced, by permission, directly from Page 41 of the Bank Survey Handbook of the National Bank Division of the American Bankers Association.

Model 200 Brandt Automatic Cashier delivers coins directly to customers as referred to in the above paragraph from the Bank Survey Handbook of the National Bank Division of the American Bankers Association. Furthermore, it is necessary with this machine to press but one key — the key corresponding to the amount to be paid — to make any payment from 1¢ to \$1.00. These two features assure that coin payments will be made in the shortest possible time.

Then, too, Brandts are absolutely errorproof. Cash losses due to overpayments as well as the confusion, delay and ill will caused by underpayments are eliminated.

These advantages of speed and accuracy are combined with exceptional durability to assure that Brandt Automatic Cashiers will serve for years and years — each machine is backed by an unconditional ten year guarantee.

Why not prove all of this right in your own bank? We shall be glad to place a Brandt Automatic Cashier with you for trial to be used just as if it were your own. There is no expense — no obligation — if you decide not to purchase the equipment will be removed just as cheerfully as placed. No invoice is ever issued in connection with a machine on trial unless an order is received. Use the coupon to arrange for trial or to request further information.

BRANDT AUTOMATIC CASHIER CO.

Dept. A 4

Watertown, Wisconsin



Model 200
Brandt Automatic Cashier

The delivery chute is interchangeable from side to side so coins may be delivered from either side of the machine as desired. The delivery chute is adjustable to any angle, permitting it to be placed in the most convenient position — and is so constructed that coins roll quickly and quietly on edge into the delivery cup.

We can also supply a Brandt Automatic Cashier, namely Model 100, which delivers coins into a hopper, from which they are removed by a slight backward pressure on a trap door.

BRANDT
COIN HANDLING
DEVICES SINCE
1890

Clip, fill in
and mail this
coupon today

BRANDT AUTOMATIC CASHIER CO.

Dept. A 4, Watertown, Wisconsin

- ☐ Please send us a Model 200 (Model 100) Brandt for trial without cost or obligation.
☐ Please supply us with further information regarding the Brandt Automatic Cashier.
 We are also interested in the following Brandt products:

- ☐ Coin Sorter & Counter
☐ Coin Counter & Packager
☐ Coin Storage Trays
☐ Coin Wrappers & Bill Straps

Bank.....

By.....

Address.....

SPEED • ACCURACY • DURABILITY

Burroughs

ELECTRIC DUPLEX CALCULATOR

WITH DIRECT SUBTRACTION



The fastest and most economical way to figure float and compute profit or loss on checking accounts

Burroughs Electric Duplex Calculator eliminates unnecessary rehandling of figures in figuring float, computing profit or loss on checking accounts, and in other bank calculating.

Two sets of dials permit the results of single calculations to be shown in the lower dials, and the grand total, or net result, in the upper dials. Any amount in the lower dials can be subtracted from, or added to, the amount in the upper dials at the touch of a key. Many automatic features help to do away with needless, time-wasting operations.

Your local Burroughs office will gladly demonstrate Burroughs Electric Duplex Calculator on various kinds of bank work. Or, if you prefer, write for complete information to—

BURROUGHS ADDING MACHINE COMPANY
6304 Second Boulevard, Detroit, Michigan

Apex Manufacturing Co.
6700 Jackson Blvd.
City

JUNE

DAY	No. of Checks Paid	Balance	ANALYSIS			
			Trans. Items	Chq. Items	Plant	Other
2		35				
2	1	54			60	
7	7	21				25
16	8	34	3		30	
21	11	25				
24	12	43	5	6	40	
24	13	40				35
28	16	67	6	2	60	

Maintenance Cost	.50	Aggregate Daily Balance	11,060.00
76 Ledger Entries @ .41	31.16	Less Aggregate Float	1,980.00
27 Transit Items @ .31	8.37	Aggregate Collected Bal.	9,100.00
15 Checking Items @ .21	3.15	Less 15% Reserve	1,365.00
Other Charges	6.00	Available Balance (1 Day Basis)	7,735.00
		Income @ 3 1/2% (x .000645)	1.53
Total Expense	2.61	Profit	
		Loss	2.98

OTHER CALCULATING USES

- Figuring savings interest.
- Figuring interest on notes in Loan and Discount Department.
- Checking market values of collateral.
- Checking invoices for materials and securities purchased.
- Checking mortgage interest.
- Analyzing borrowers' financial statements.

THERE'S A BURROUGHS CALCULATOR FOR EVERY TYPE OF CALCULATING

METHODS—Continued

Manhattan Company, conducts the course with the assistance of Mrs. Mary Berkeley Finke, director of the Women's Division of the Morris Plan, and Miss Jane A. Langthorn, manager of the Women's Department, Title Guaranty and Trust Company.

Institutional

OUR NEIGHBOR to the North goes to war. And we see a sudden turn back to fundamentals—even in bank advertising—just as we had here in 1916. The Royal Bank of Canada currently sponsors an impressive newspaper campaign with perhaps a little more objective appeal than the previous series which was framed to the human, intimate themes of a nation at peace. It is the traditional "stiff upper lip" that turns a human institution from its course of filling the wants and needs of individuals and industry to the broader concept of these needs in the light of national emergency. The new series is themed to the slogan "Banks facilitate business". In the bank's opinion, the term "facilitate" is a happy choice because it implies no more or less than the sound objectives of a progressive institution. To help forward . . . to promote the nation's business is precisely the relationship of banks to business.

Estate Chart

TO GIVE CUSTOMERS and prospects a clear analysis of estate distribution under new legislation effective January 1, 1940, the Continental Illinois National Bank and Trust Company of Chicago introduced a new style of presentation. In place of the usual leaflet form, the bank used a three-way French fold sheet mounted lightly in a heavier cover stock folder about the size of a legal document. The insert sheet is easily detached from the folder and makes an excellent wall chart. In addition to a comprehensive breakdown of provisions for property descent on intestate cases and a similar analysis of desirable will provisions, the folder also contains a useful table of consanguinity showing degrees of relationship and a chart on relationships traced to a common ancestor. Material of this type always finds welcome distribution among attorneys as well as trust prospects and frequently leads to new business.

Green Book

THE FIRST of a series of "Green Books" analyzing banking methods and services in the United States was released recently by Arthur S. Kleeman,

president, Colonial Trust Company of New York. The survey covering personal loan services as reported by more than 200 institutions in all sections of the country indicates a tremendous rise in new small loan departments. Facts prove conclusively that both the small depositor and small borrower occupy a position of importance in present day banking comparable to big business. Collectively, they have provided a new source of bank earning power which cannot be lost in the future if progress and development continues at its present rate. The revision of old practices, initiation of new services, and a con-

tinuous study of ways and means of meeting the financial problems of the public point toward brighter prospects for earnings in the new year.

Loan Specifications

THE PERSONAL LOAN & SAVINGS BANK of Chicago has been constantly improving the "specifications" of its time payment purchase plan. On new or used car financing the current charge is \$5 a \$100 a year, applying uniformly to whatever time is chosen and regardless of the amount of down-payment or trade-in allowance. The rate applies also to insurance premiums only if they are

1863



1940

UNITED STATES GOVERNMENT BONDS STATE AND MUNICIPAL BONDS

The Bond Department
service of this bank is
particularly valuable to
correspondents.

Quotation sheets will be
mailed on request. In-
quiries are invited.

Telephone FRAnklin 6800

Teletype CGO - - 987

The First National Bank of Chicago

BUILDING WITH CHICAGO SINCE 1863

included in the amount to be financed. The bank regards insurance of importance primarily as a protection to the car owner and therefore leaves the election of insurance to the car owner. He is urged, however, to follow the advice of his own agent, which if he does, always results in adequate protection. The plan is offered on a 6, 12, 15 and 18 month basis.

Public Report

IT SEEMS fairly certain that formal bank reports hold little interest for the man-in-the-street. Even the most simplified forms can at best arouse only

passing interest. Bank accounting is too far removed from his problems of finance to matter one way or another. But give him facts and figures that relate to his life and you impress him no end. The Trust Company of Georgia does just such a job. Recently it published "A Report to the Public" which acknowledged graciously the opportunity of serving and set about to record its administration of 1939. In addition to outlining its progress in expanding loans, deposits and trusts, the announcement carried a list of figures rarely seen in bank statements. These included the amount paid in taxes to

Government, state, counties and cities where affiliate banks are located; the amount spent for supplies and equipment—helping business in all sections of Georgia; the dividends paid to stockholders; salaries, etc. And strong emphasis was also given to the fact that countless jobs were created through loans to business and industry. These are facts anyone can understand and appreciate.

Good Scouts

MORE THAN 3,200 scouts assembled in the ballroom of Hotel Bradford, Boston, when "Massachusetts on the March" turned its talents to a special tie-up broadcast for National Boy Scout Week. This five-star hit show, sponsored by the mutual savings banks of the state, chalked up a record audience for the occasion. By prearrangement throughout the state, 40-odd thousand scouts, gathered in local troops, tuned in on the program for a rededication of the scout oath—a ritual observed each anniversary. After the official program the 3,200 Boston visitors were entertained by a showing of the savings bank motion picture and brief talks by scout leaders and the president of the association.

As part of this unusual good will program "advancement record" cards for first and second class scouts were distributed to every member of the state council—more than 40,000 strong.

(CONTINUED ON PAGE 66)

LOBBY EXHIBIT

An exhibit of exact scale models of railroad engines, trains and equipment proved an interesting display in the lobby of the Union Bank of Commerce of Cleveland. *Below*, Mary Stanton, an employee with a model of an ancient locomotive



IT'S THE Modern THING TO DO.

Since any appraisal of American prosperity **MUST** begin with the FARM, how important that mechanization of the farm is given constant encouragement! ... Only through the use of adequate machinery can today's farmer lower his operating costs sufficiently to make a reasonable profit. ... In Minneapolis-Moline Tractors and Farm Machines—the World's Most Modern—the farmer finds the dependable service, economy, and long-life performance that helps produce dollars and cents for him.

BUT—he may need the "credit" assistance of his MM Dealer and his Banker to purchase more MM Machinery. 1940's MM HEADLINERS have what he wants. Financial assistance the deserving farmer reacts not only increased income for his entire community including the MM Dealer and the Banker. **CO-OPERATING** remains "the modern thing to do" because everyone profits thereby.

BRANCHES NEAR EVERYWHERE

MINNEAPOLIS-MOLINE
POWER IMPLEMENT COMPANY

MM
MINNEAPOLIS-MOLINE
MODERN FARM MACHINERY



GREATER SPEED
without sacrifice
of accuracy



**SIMPLIFIED
ROUTINE**
and elimination of
waste motion



**COMPELLED
OPERATING
ACCURACY**

achieved through the Controlled-
Key which positively checks all im-
perfect key-strokes . . . also other
exclusive accuracy safeguards

THREEFOLD COMPTOMETER ECONOMY IN BANKING PROCEDURE!

• The three factors featured above add up to *greater economy* in the handling of bank figure work, particularly in Proof and Bookkeeping Departments.

Especially is this true since the introduction of the COMPTOMETER BANK PROOF UNIT, designed specifically for banking use.

In the Bookkeeping Department, the Comptometer proof plan proves the accuracy of each individual posting—spots errors at the source of error, making it unnecessary to complete the whole posting procedure before determining whether accounts balance.

This plan proves that correct accounts were handled; that old balances were picked up accurately; and that individual debits and credits were posted to correct accounts.

May our representative show you how "Comptometer Economy" applies to your own figure-work problems? Telephone your Comptometer office—or write to FELT & TARRANT MFG. CO., 1711 N. Paulina Street, Chicago, Ill.

COMPTOMETER

REG. U. S. PAT. OFF.

**BANK
PROOF
UNIT**

METHODS—Continued

These cards tie in with the scout requirement of earning and saving \$1 to become a second class scout and \$2 for the first class. The envelopes bearing the cards listed the institutions in the various troupe areas.

Prize Pix

THE THIRD ANNUAL photographic competition sponsored by the Montclair Trust Company (Montclair, New Jersey) again proved an excellent medium of public relations contact and publicity. Altogether, 371 local amateurs submitted 1,372 prints, of which 112

were selected for final judging after a two-week salon exhibit in the bank lobby. President I. B. Grainger announced the winning entries at a special Saturday night exhibition following a talk by William H. Zerbe, F.R.P.S., of the New York *Herald Tribune*. Merchandize certificates and honorable mentions were given to 26 entrants representing all classes. This affair has become an important community project, since it has carefully followed its original aims of publicizing Montclair.

Stamp-ede

ANOTHER INTERESTING EXPERIENCE with "first day covers"—items extraor-

dinary⁷ for the philatelist's album—is contributed by the Canal National Bank of Portland, Maine. As a good will gesture, the bank mailed first issues of the Longfellow stamp to a select list of customers and correspondent banks. The envelope bearing the official post mark, "First day of issue", also carried the Maine Historical Society cachet depicting the Longfellow House at Portland. An attractive commemorative leaflet, used as an enclosure, reprinted the immortal poem, *My Lost Youth*. The bank reports that this item drew a raft of complimentary letters and numerous requests which exhausted the supply almost immediately. Perhaps this suggests good publicity for other sections that may be on the postal department list for commemorative stamps during the year.

Safe Deposit Selling

WITH THE BIGGEST vacation season in years in the offing, safe deposit service should be in line for increased sales. But again, merchandising methods will play an important rôle. Perhaps the plan of offering special vacation rates has more possibilities, now that most other services have turned to the "department store" technique. Several tests of this idea made last season proved highly satisfactory and at least one bank—The Cleveland Trust Company—plans to extend the service in the coming season.

In setting up such a plan, it is advisable to make rates proportionate to annual rents and offer optional contracts for a minimum of two weeks, a month or full Summer season. If the vacation contract is later converted to a regular rental, the first fee may be applied to the annual rate. This seems to be quite helpful in holding the new temporary customer.

There is a potential volume of courtesy vacation contracts among the class of prospects who find only a limited need for the service and those who have convinced themselves that they cannot afford the annual rate. There is, at least, volume enough to put this proposition on a paying basis during the active season.

Rotating Boards

THE MERCHANTS NATIONAL BANK & TRUST COMPANY (Syracuse, New York) reports a unique innovation with its new program of operating three advisory boards at the same time, each composed of ten stockholders and each group serving a term of three months. Without regard for stock holdings or (CONTINUED ON PAGE 68)

Continental Illinois National Bank and Trust Company of Chicago



**Facilities for correspondents that enable them to
give prompt service to their customers**

Member Federal Deposit Insurance Corporation



STORM CRIPPLES PRODUCTION but expense marches on!



IT'LL BE WEEKS
BEFORE WE
CAN GET INTO
RUNNING ORDER
AGAIN.

Like a colossus from the clouds, hostile winds rush earthward to vent their fury upon man's fragile handiwork. Left in their devastating path are the untold effects of property damage... plants torn asunder, power lines down, machinery bogged, production crippled.

But expense marches on! For when output is stopped and orders unfilled, income is canceled. Yet during the period of inactivity to follow, payrolls come up and notes, taxes and other current charges must be met.

Here is proof that manufacturers re-

quire protection for more than *direct* loss caused by windstorm, fire, aircraft damage, explosion. Invisible income values, sustained by the whirl of wheels and the buzz of production, should also be hazard-proof.

Those interested in the successful operation of certain manufacturing plants may consult agents of The Home on the advantages of Use and Occupancy Insurance. This valuable supplementary form reimburses for loss suffered during interruption of normal business as the result of hazard.

THE HOME INSURANCE COMPANY NEW YORK

FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

amount of funds on deposit, members are chosen to represent diversified business and professional fields, and for their personality and interest in the bank's affairs. One of the three boards is made up entirely of women. Functions are substantially that of regular advisory boards, with the exception that each group will devote itself chiefly to some one important subject. This plan has been highly successful in bringing about improvements in services and particularly in keeping the bank posted on community happenings. Furthermore, it has proved a valuable educational experience for stockholders in acquainting them with operations

which had no significance to them before.

Young Thrift

THE BEVERLY SAVINGS BANK (Beverly, Massachusetts) conducts an interesting experiment with its Junior Christmas Club for Young Savers, opened for the first time this season. More than 1,000 eager youngsters have enrolled in a 10-cent weekly class which operates under the regular coupon book system. These accounts are proving far more punctual than adult accounts and give every indication of fulfilling the thought behind the plan—to attract a wider group of young depositors and

acquaint them with various operations of the bank.

To give the new club that essential "official" character, all materials have been specially designed with the official signature and insignia. As books are presented with payments, copies of the mimeographed monthly "Young Savers News" are inserted. Issues contain a variety of jokes, riddles, poems and proverbs spotted with special premium or prize offers. For example, all members making the tenth payment on the due date receive an "official" club pencil. Also, five free payments are offered for the best letters explaining "why I like the junior club" and for answering various historical questions of local significance.

The plan has not only won the interest and enthusiasm of its young members but also receives high praise from parents. The bank intends to continue this class indefinitely.

Employee Sales Plan

THE MARINE TRUST COMPANY OF BUFFALO (New York) has developed a permanent new business program for employees which overcomes all the objections to the fanfare and short-range value of typical contests. Awards of medals and purchase orders are made on a point system which evaluates each unit of new business obtained for the checking account, consumer loan, safe deposit and travel departments.

Upon reaching 400 points, the employee receives a \$3 purchase order and a bronze pin of the Marine seal. At 2,000 points he receives a \$15 purchase order and a silver pin. A gold pin and \$50 purchase order is awarded at 6,000 points. From there on the distinction is indicated by awards of a blue bar at 12,000 points, and a maroon bar at 18,000 points.

The pins are distributed on an appointed day each month and personal presentations are made by the president to medal of honor recipients. This program sets up deserving recognition for employees who go after new business regardless of monetary rewards, and provides enough incentives for those who are apt to overlook the fact that business-getting is part of their jobs. It is an ideal follow-up to the recent intensive new business drive described previously in these columns.

Gentle Reminder

If a customer is worth serving, he is worth saving, but a faint heart never wins him back. Although it may be impossible to phrase a letter or design a mailing piece that will iron out pet

ST. LOUIS

A Strategic Key City

BUSINESS has long recognized the value and importance of St. Louis' strategic, central location. Through this city flows a mighty stream of trade and finance...converging here from all parts of the country. It is the commercial gateway to the great south and southwest trade territory.

As this tide of commerce flows through St. Louis, so do the financial transactions which make this commerce possible. Banks and bankers have found this a logical city in which to be represented, and a great many have selected Mercantile-Commerce as their St. Louis correspondent.

MERCANTILE-COMMERCE

Bank and Trust Company

SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

peeves and apply to every situation, it is better to pick a general theme and depend upon averages than not to try at all. An ideal approach to the former savings customer is suggested by the plan adopted by the Home Savings Bank, Boston, Massachusetts.

On the day following the closing of an account, the bank mails a small folder packet containing a banking-by-mail leaflet, new signature cards and business reply envelope. A message addressed "To a Former Depositor", on the inside flap of the folder, expresses appreciation of past relations and cordially invites renewal. It gently reminds the erstwhile depositor that saving is often neglected if, at the moment, a bank is not convenient. It points out why and how banking-by-mail offers a ready solution.

While this approach may be somewhat impersonal, its application is 100 per cent. And to make doubly certain, it is mailed and delivered within 48 hours after the account is closed to catch those who might be leaving the city.

Cotton Stamps

THE DEPARTMENT OF AGRICULTURE calls upon banks, retail drygood stores and other private business channels to cooperate in the new "cotton stamp plan", a counterpart of the FSCC food stamp program now operating in several test cities. The plan will be conducted on the same basis as food stamps. That is, retailers may redeem the stamps at their banks or through wholesale houses which in turn redeem them at the regional office of the Federal Surplus Commodities Corp. The cotton stamps will also be issued in denominations of 25 cents. Minimum and maximum limits are fixed. Eligible participants will receive \$1 worth of free stamps with each purchase of \$1 of regular stamps. Both will be acceptable for payment on any item of cotton content at local drygoods outlets. The plan is heartily endorsed by the cotton industry, and it is expected that national distribution may be imperative if the European war continues.

Taxpayer Loans

OF LATE, tax loans have been added to the growing list of special loan appeals in many sections of the country and, to all accounts, provide a desirable volume. Among the banks recently testing this field is The First National Bank of Wisconsin Rapids, Wisconsin. With a single newspaper advertisement inserted on the first day local taxes became delinquent, the bank reports a

surprisingly good return—plus a shower of blessings from local "Aldermanic Fathers" who were out to set a record for collections. The bank is convinced that this service not only is a boost for public relations but "vitamin A" for any undernourished loan portfolio.

Several banks have also reported the practice of distributing blotters and other literature at the city treasurers' offices around tax time.

Auto Loan Technique

THERE'S PROBABLY no better guide for effective auto financing promotion than the car manufacturer's national

and local campaigns. The selling is related in more ways than one and when both technique and copy themes are aligned there is naturally added force. A good example of strong tie-up appears in recent copy run by the First Wisconsin National Bank of Milwaukee. It follows General Motors' institutional campaign appearing in popular monthlies featuring the "standard plainview price tag". The bank copy says: "Look at *this* tag, too"—illustrating a tag of Time-Credit Plan rates of \$4.50 per \$100 financing cost. Both GM and the bank develop the story of "plainview" prices—no hidden or padded charges.

Dangerous Lady



Innocently enough, she may be the cause of a serious injury to some member of the public who may stumble over her.

If this happens, the property owner or tenant may be subject to a damage suit resulting from liability for injuries incurred on his premises.

The careful financial man not only guards his own home against such losses but also makes sure his business and its customers are protected. A Standard agent or broker will provide sound insurance coverage for this and other hazards such as embezzlement, burglary, robbery, and forgery.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

The Children's Crusade

By DOROTHY CANFIELD FISHER

The author, a well known writer, is national chairman of the Crusade

WHEN the Children's Crusade was first being planned, last November, one of the obstacles which seemed to stand in the way was the complication of "paper-work" apparently involved in handling the money collected. It cannot but interest bankers to know that this problem was solved by the confidence felt by Americans that the bankers of our country can be counted on in any idealistic effort in the old-American tradition.

The goal of the Children's Crusade for Children is two-fold: to get help to the exiled, homeless children who in our tragic era are victims of war and persecution, and, secondly, to arouse our own younger generation to a keener awareness than they now have of their good fortune in living under the protection of a powerful and peaceful Federation of States.

The economic difficulties of our country (no worse here than anywhere else, and blessedly uncomplicated by the horrors of war) seem to be blotting out from the minds of our young people the marvelous, almost miraculous success of our political organization. The penny-for-every-year-of-your-life collection of the Children's Crusade is intended as a thank-offering for our own safety, as well as a gesture of decently humane sympathy to children in dreadful need.

The plan has met with a brilliant and beautifully understanding welcome from all kinds of Americans—college presi-

dents and labor-union heads, noted scientists and noted ecclesiastics, Farmers' Cooperatives and Federated Women's Clubs, and educators from every corner of the country. The Can Manufacturers' Institute and the producers of tin-plate made a donation of the cans to be used as mite-boxes—"up to a million"—a donation which represents a cash contribution of about \$18,000.

Money was contributed to finance the campaign (a considerable sum was needed, of course, to reach even once the vast numbers involved in our American public school system) so that no penny of the collections will go to overhead. Every penny put in a mite-can will go straight from the American child who, perhaps, gave up a day's chewing-gum or candy, or one ticket to the movies, to help despairing children in China, Finland, Rumania, Poland, France—wherever they are.

But how could the contents of these mite-boxes (which are to stand in school rooms the last ten days of April this year) ever be gathered and put into the hands of the Jury of Award? This simple method was planned. Each teacher in whose classroom a mite-can has been standing, will on April 30 or May 1, see that it is taken (still unopened) to the nearest bank. There the can will be opened, the contents counted, and a receipt given to those who bring it in. The Boy Scouts, Girl Scouts and Camp Fire Girls are to act in many cases as guards of honor for the collection

CHILDREN'S CRUSADE FOR CHILDREN



Front of a folder giving information on the Crusade

and will take it from the school to the bank.

Then the bank will simply forward this amount to one of two banks—for those living west of the Mississippi to the Citizens National Bank of Emporia, Kansas (because William Allen White lives there), and for those east of the Mississippi to the County National Bank in Bennington, Vermont, because that is the nearest bank to the residence of the national chairman. Those two banks will, in turn, hand the money to the Jury of Award, who will apportion it between the well organized, effective, responsible refugee-agencies now working in every place where refugees are suffering.

Below, the County National Bank, Bennington, Vermont; right, the Citizens National Bank, Emporia, Kansas



Make every doubtful check pass
this SEARCHING SCRUTINY!



LAMSON Dispatch Tubes let both the Bookkeeper and Teller SEE the check!

Use Lamson Tubes between Tellers and Bookkeepers for:

- Positive protection on doubtful checks.
- Certification of checks.
- Securing customers' balances.
- Notifying bookkeepers of special deposits.



You're protected by insurance, of course. But public confidence in your bank . . . and in the check method of payment . . . depends upon your ability to spot fraud, error, oversight immediately . . . to stop losses before they happen.

That's why the Lamson Tube method of verification is so important to banks and the banking system. It gives you the considered judgment of TWO MEN on every doubtful check—the bookkeeper as well as the teller. And it gives it to you quickly, quietly without embarrassment to depositors.

More—Lamson Tubes speed the flow of all bank papers, reduce the need for messenger service. Locked carriers plying between tellers and the vaults eliminate the hazard of unguarded collateral. Bonds, stocks and other securities are requisitioned from the vaults with practically no loss of time.

Installations are flexible—one tube or many. And the cost is quickly written off, for you buy them outright. Write today for complete information. Ask for the booklet, "Wings of Business" which tells how Lamson tubes save waste and error in many lines of business.

**EVERY BUSINESS, LARGE OR SMALL,
Can Profitably Use...**

**LAMSON
Dispatch
TUBES**



There is no waiting for office boys to make their rounds. In a flash—quicker than you can telephone—these handy carriers whisk the actual order, telegram or memo to the proper desk.



LAMSON
PNEUMATIC DISPATCH TUBES

put your Bookkeeper at your Teller's elbow



The Lamson Company, Inc.
 Syracuse, New York.

Send me a free copy of your pneumatic Tube Book, "Wings of Business" without obligation.

Name Title

Company

Address

State

TWO FINANCIAL STATEMENTS

(December 31, 1939)

OF INTEREST TO BANKS AND THEIR CUSTOMERS

LIBERTY MUTUAL

INSURANCE COMPANY
BOSTON

ASSETS		LIABILITIES	
INVESTMENTS:		RESERVES FOR:	
U. S. Government Securities and Guaranteed		Insurance Losses; this provides for payments	
Obligations	\$26,373,571.05	not yet due on accidents which have already	\$38,932,854.00
State and Municipal Bonds	869,056.80	occurred	10,056,548.00
Public Utility, Railroad and Other Bonds	20,431,075.55	Premiums not earned on date of statement	
Preferred and Guaranteed Stocks	515,252.00	Dividends payable on policies which expired	1,187,621.00
Other Stocks	3,646,488.00	during 1939	702,663.79
Home Office Building	2,169,498.52	Taxes Accrued, payable in 1940	1,177,660.68
Other Real Estate, and First Mortgage Loans	93,686.57	Expenses accrued and sundry accounts payable	
TOTAL INVESTMENTS	\$54,098,628.49	Reserve for Dividends on unexpired policies	4,875,000.00
Cash in Offices, Banks and Trust Companies	13,640,900.21	Reserve for Investment fluctuations	2,875,000.00
Premiums in Course of Collection (Net) —		Reserve for other Contingencies	2,000,000.00
None over ninety days due	3,834,497.68	General Surplus (Includes Guaranty Fund of	
Interest accrued on Investments	271,191.64	\$250,000.00)	10,037,870.55
TOTAL ADMITTED ASSETS	\$71,845,218.02	TOTAL LIABILITIES, RESERVES AND	\$71,845,218.02
		SURPLUS	

Bonds which qualify for amortization under Insurance Department regulations are valued above on an amortized basis, and all other bonds and all stocks are at December 31, 1939 market quotations. Home Office Building is at cost, less depreciation. Securities carried at \$3,010,090.70 in the above statement are deposited as required by law.

UNITED MUTUAL

FIRE INSURANCE COMPANY
BOSTON

(New York Insurance Department basis)

ASSETS		LIABILITIES	
Cash in banks and on hand	\$1,333,543.39	Reserves for:	
United States Government securities and guaran-		Losses in process of adjustment	\$ 199,466.43
teed obligations	2,166,561.10	Unearned premiums	3,910,969.70
State and municipal bonds	127,911.40	Accrued taxes	83,000.00
Public utility, railroad and other bonds	2,964,383.68	Expenses and miscellaneous liabilities	58,769.00
Preferred stocks	64,000.00		
Other stocks	755,547.00	Reserve for dividends on unexpired policies	280,000.00
Premiums in course of collection (net) — none		Reserve for contingencies	270,000.00
over ninety days due	574,784.32	Guaranty capital	\$ 100,000.00
Accrued interest on investments	38,820.47	Net surplus	3,134,272.47
Reinsurance recoverable on paid losses	10,926.24	Total	\$8,036,477.60
Total admitted assets	\$8,036,477.60		

Bonds which qualify for amortization under Insurance Department regulations are valued on an amortized basis, and all other bonds and all stocks are at market quotations. Securities carried at \$417,072.40 in the above statement are deposited as required by law.

LIBERTY MUTUAL and UNITED MUTUAL have been closely associated for 22 years to provide a complete insurance service—compensation, liability, automobile, burglary, fidelity, forgery and fire—to banks, their customers, business concerns and individual property owners. ¶ In 1939 premium income, assets, dividends to poli-

cyholders, surplus and the number of policyholders protected were at the highest level in the history of both companies. ¶ A complete report of operating results will be sent to responsible insurance buyers on request—without obligation. Write Liberty-United, 175 Berkeley Street, Boston, Massachusetts.

Low FHA Losses

WHEN the system of insuring loans by banks and other lenders for the modernization and repair of homes was inaugurated under the Federal Housing Act, it was generally estimated that the loss on such loans would average around 2 per cent. Up to the beginning of the current year actual defaults on these loans had averaged somewhat higher than the original estimates, but when recoveries are considered the average has been considerably lower.

Claims paid original lenders by the FHA up to January 1 under Title I of the Act amounted to \$23,967,882 on 103,426 notes. Since the loans insured up to that time amounted to \$966,417,897, the average default was 2.48 per cent. After paying the claims of the original lender, however, the FHA was able to collect \$8,519,536, reducing its outlays to \$15,448,346, which was only 1.5 per cent of the total loans. The Administration transferred \$3,400,665 to the General Accounting Office as uncollectible and still has on hand notes in the amount of \$12,047,682 from which there may be further recoveries which would further reduce the actual loss to its insurance fund. There seems to be a very good prospect of reducing actual loss on these loans to or below one per cent.

Since the system has been in operation long enough to cover the full period of a large proportion of the loans and has operated in both depression and recovery conditions the results to date may be taken as a demonstration of the permanent success of the whole undertaking.

A FEW FIGURES

IT is still far too early to measure the success of the mortgage insurance system of the FHA. Up to the first of this year it had taken over 1,188 small home properties under foreclosure—753 in 1939 and the rest in previous years. Of the 1,188 properties acquired, 616 were sold—384 in 1939 and 232 in previous years at an average loss of \$462 in 1939 and \$693 in previous years. Net charges against the mutual mortgage insurance fund, accordingly, were \$337,976. At the beginning of the year the administration held real estate for sale in the amount of \$2,839,494 as compared with \$947,757 at the beginning of 1939. These latter figures are the Treasury's valuations.

Since the beginning of the year the administration has been compelled to take over three rental housing projects which carried original mortgage principal sums in the amount of \$3,655,000. The FHA hopes to avoid loss on these loans by carrying them as assets of the special housing insurance fund which may be expected to produce a fair revenue from rentals, at least until the properties can be disposed of at reasonable advantage. The housing insurance fund was set up recently against possible losses on large scale housing projects under Section 207 of the Federal Housing Act. The fund at the beginning of 1940 had net assets of \$2,210,193.

Uncertainty as to the future losses of the mortgage insurance system lies chiefly in the fact that the system has not yet run long enough to determine the long range results. So far the losses have been nominal, only a fraction of 1 per cent of the \$1,970,000,000 mortgages now paying insurance premiums. But the increase in mortgage foreclosures during 1939 is a fact to be considered. There are no precedents or actuarial tables by which future losses can be estimated. The whole system of mortgage insurance is an experiment. So far it has been operated with conspicuous success and if the country is reasonably prosperous there seems to be no reason why this success should not be made permanent.



Rust Immunity

an important safety factor
for mortgage money



There are no metals more durable than copper, brass and bronze. And there are no metals that—over a period of years—offer more economical use in residential building. For they free homeowners of expensive upkeep due to rust. By thus preserving the useful life of a house, copper and its alloys also increase its worth as a mortgage risk.

Reliable, rust-proof copper and brass pipe, Everdur hot water storage tanks, copper roofing, bronze screens and hardware render lasting service. Money invested in them will return dividends by reducing depreciation of the property.

An illustrated booklet, "*Anaconda Copper, Brass & Bronze Throughout the Home*," will be sent at your request.

89273



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut
Subsidiary of Anaconda Copper Mining Company

Anaconda Copper & Brass

This material is compiled for
BANKING by Albert Journeyay

ALBERT B. STEPHENS of the Bank of California, N. A., San Francisco, finds relaxation from the exacting duties of the teller's counter in his hobby of studying birds. Both he and his wife are members of the Audubon Association of the Pacific and both are enthusiastic bird students. (See photo, page 78.)

Of the 600 species of birds native to California, Mr. STEPHENS has seen about 300. He has often traveled two or three hundred miles to see a new species and add it to his list. He has observed many spectacular occurrences in the pursuit of his hobby, such as an aerial combat between two red-tailed hawks, the prize being a large snake which one hawk clutched in its talons.

On another occasion he witnessed a duck hawk charge a flock of phalaropes, cut off and capture one of the flock, and return to the marsh to enjoy its catch.

When GUY EMERSON, vice-president of the Bankers Trust Company, New York, visited the Coast last year, he accompanied Mr. STEPHENS and other bird lovers on a trip which took them eight miles from land for the purpose of seeing albatrosses. They had 13 of these



DINNER FOR MR. VON SCHILLING (see column 2)

Above, left to right, A. B. Schwarzkopf, vice-president, National Bank of Commerce of Norfolk, Virginia; Mr. von Schilling; F. A. Kearney, president, Old Point National Bank, Phoebus, Virginia; and E. L. Carmines, president, Citizens Bank, Poquoson, Virginia

magnificent birds within a few feet of their boat.

★

MARSHALL L. VON SCHILLING, president of the Merchants National Bank of Hampton, Va., director of the Old Point National Bank of Phoebus, Va., and of the Citizens Bank, Poquoson, Va., was recently given a dinner by the employees of the three banks in celebration of his half century in the banking business.

Besides Mr. VON SCHILLING's triple banking duties, he finds time for building boats, in which he plies the waters and tributaries of Hampton Roads. One boat, 40 feet in length, is of the old Chesapeake canoe type peculiar to the

section. He installed two old automobile motors for power, built the cabin, put on the canopy and did the flooring, plumbing and painting. He also has built two solid mahogany row boats, in one of which he installed an outboard motor. After an upset on one occasion, this boat building banker swam to his large craft, towing a 10-foot boat behind him.

Mr. VON SCHILLING is also president of the Retail Merchants Assoc., Hampton and Elizabeth City County, Va.

★

MINOT C. WOOD, president, Ware (Mass.) Trust Company, has been a leader in the movement that saved this old Massachusetts town from becoming a ghost city. Two years ago the cotton mills, which furnished employment to most of Ware's citizens, closed. With the main source of income and employment removed, the town faced disaster. The way the grave situation was met has since brought Ware national fame as "the town which can't be licked."

Mr. WOOD, acting for a thousand workmen, merchants and housewives, who pooled their savings to buy the idle cotton textile mills, obtained from its new owners an agreement that they would sell the controlling ownership for \$50,000. In 11 days the money was raised.

One by one new industries were induced to come to Ware and the mill buildings now house 17 diversified industries.

Today there are few idle hands in Ware. Merchants are busy, property values have advanced and there is every prospect that the investors will be paid some dividends before the third year of their ownership is over.

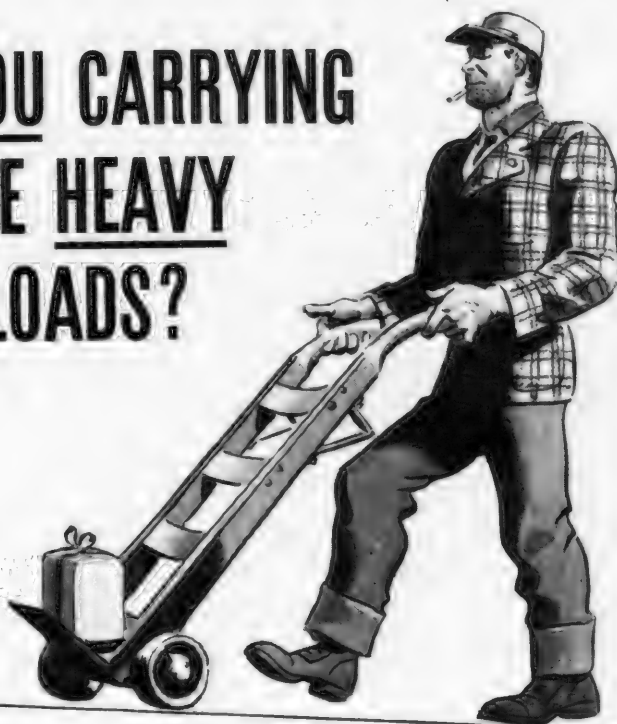
(CONTINUED ON PAGE 76)

Below, Frederick W. Gehle, vice-president of the Chase National Bank of New York, with Herbert Hoover, chairman of the Finnish Relief Fund. Mr. Gehle, national director of the Industrial Division of the Fund, reported that \$600,000 out of the \$1,000,000 goal pledged by industry had been collected





ARE YOU CARRYING THE HEAVY LOADS?



The NEW way of buying insurance protects against the heavy losses!

Do you let your insurance carry the relatively light risks and handicap yourself with the burden of a possible ruinous loss?

You do not, if you have discovered the NEW way of buying insurance. For this NEW way scans your whole set-up, finds the potential crippling losses — no matter how unlikely they are to occur—and protects you first against these.

This NEW way leaves no possibility of loss unexplored. This means not only direct losses in your own business, but also those that might be incurred through the damaging of your customers' credit.

Why not lay your insurance problems before a Hartford agent, or consult your broker? His advice costs you nothing — and may save you thousands of dollars!

Hartford Fire Insurance Company Hartford Accident and Indemnity Company HARTFORD, CONNECTICUT



To learn more about the NEW way of buying insurance, just call Western Union (in Canada, call Canadian National Telegraphs) and ask for the name of the Hartford representative nearest you. Or get in touch with your own insurance broker.



THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE

MAIN STREET—Continued

M. A. ARNOLD, chairman of the board of the Seattle First National Bank deserves nation-wide credit for an invention of his. It seems that whenever Mr. Arnold traveled by train he caught cold, and in his own words he says, "I concluded that my trouble might be due to sleeping on pillows which other travelers with colds had used. So I had a Seattle surgical supply house make me a special slip of reputedly germ-proof transparent material, to fit securely over a pillow inside the regular linen slip. I used this on all my pillows during my trip east

A SILENT SALESMAN FOR BANKS



A new, but proven, three dimensional animated display service that brings new business—and new sources of profit to your bank. Pre-selected displays promote different bank services through twenty-four rental units per year at minimum cost and effort to you. For windows, lobbies or counters.

GARDNER BANK DISPLAY SERVICE

GARDNER BANK DISPLAY SERVICE
477 Melwood Street, Pittsburgh, Pa.

Please send descriptive literature.

Please have representative call.

Name _____ Title _____

Bank _____

City _____

and got back home without my customary cold."

★

Bankers are actively cooperating in the development of Oregon's thriving turkey-raising industry. ELWAIN H. GREENWOOD, secretary of the Oregon Bankers Association, cites the part they are taking as an example of that organization's activities on behalf of agricultural development generally.

Secretary GREENWOOD forwards interesting newspaper accounts of the Northwest Turkey Show at Roseburg, Oregon, at which growers from all sections of the country exhibit. TOM GARRISON and E. G. YOUNG, president and cashier of E. G. Young and Company Bank at Oakland, are prominent in this important exhibition, giving freely of their time and funds each year, Mr. GREENWOOD reports.

★

WILLIAM L. MAUDE, vice-president, Howard Savings Institution, Newark, New Jersey, bears the marks of an educated man in that he is always able to put to interesting use his leisure hours. Mr. MAUDE's past is a colorful one. He spent five years in the British Army during the War, subsequently was a transport aviator, and barnstorming flyer, and in more recent years has had extended and successful real estate and selling experience.

One of his hobbies is tulip growing, and in his garden he has more than 2,000 bulbs. Amateur photography is another hobby, and, in addition, he has been a philatelist since boyhood.

His love of adventure and sport find outlets in an annual deer hunting trip to Maine and another to Nova Scotia for deep sea fishing. His prize catch is a 600 pound tuna landed last summer off Nova Scotia.

Mr. Maude



THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

Service—Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.



Resources over \$170,000,000

ESTABLISHED 1908

MEMBER
NEW YORK CLEARING HOUSE ASSOCIATION
FEDERAL DEPOSIT INSURANCE CORPORATION

THE TEXAS CORPORATION



150TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on April 1, 1940, to stockholders of record as shown by the books of the corporation at the close of business on March 1, 1940. The stock transfer books will remain open.

L. H. LINDEMAN

February 15, 1940

Treasurer

Well-informed directors are pillars of strength. BANKING has a group subscription plan, by means of which your bank can supply this magazine to members of your board. The cost is negligible.

BANKING

W. H. WOOD, president, American Trust Company, Charlotte, N. C., came to Charlotte to help organize his institution about a month before it opened on July 15, 1901. For eight years preceeding this he had worked in a bank in all capacities from runner to teller, and, as a matter of fact, was the only one connected with the new institution who had ever worked in a bank before. He has seen the institution grow from the \$1,700 deposits of the opening day to its present deposits of over 80 millions.

He has been active in the city's civic and charitable movements and has held many important positions, such as director of the Federal Reserve Bank in Charlotte. When the present banking commission was authorized by the state legislature, Governor Gardner asked Mr. WOOD to serve as commissioner of banks. This position Mr. WOOD held for several months until a permanent commissioner was appointed. Since Mr. WOOD was an active banker at the time and continued as such, his appointment was a distinct compliment.

★

On this page we have a candid camera shot of a candid camera enthusiast—EDWARD A. WAYNE, chief bank examiner for the State of South Carolina. Photography is only one of Mr. WAYNE's avocations. He is keenly interested in the church school of the Methodist Church, has been a leader in



Mr. Wayne

every department and at present is its superintendent. For several years he was a director of the Y.M.C.A. and is still interested in the association's work.



Here's a hint on public relations...

These are the facts: An independent national organization asked 1000 bank depositors: "With which one brand-name of check paper are you most familiar?" When the answers were tabulated, Hammermill Safety topped the second-ranking brand by more than 6 to 1... polled almost twice as many votes as all other brands combined!

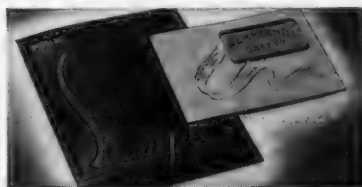
What these facts mean to you:

Your depositors know the Hammermill name. They have confidence in it. They use Hammermill papers in their business. They respect Hammermill quality. And they respect your judgment when you supply them checks on Hammermill Safety. That is the "plus" which only Hammermill Safety can give you—the opportunity to win for your bank the prestige and good will of the best known name in paper.

In use, Hammermill Safety lives up

to its reputation. Its distinctive design gives your checks an air of authority. It's easy to write on... easy to handle. It's sturdy paper... folds without splitting, does not cut through on checkwriting machines. And it reveals immediately any chemical or mechanical alteration.

Hammermill Safety is low in cost and promptly available in colors, sizes and backgrounds for every check requirement. Send for sample book and portfolio of specimen checks. See why Hammermill Safety gets the vote of two out of three depositors.



LOOK FOR THIS SURFACE MARK

HAMMERMILL SAFETY

MADE BY THE MAKERS OF HAMMERMILL BOND

Send for it!

Hammermill Paper Company, B-AP
Eric, Pa.

Please mail me the sample book of Hammermill Safety and Portfolio of Specimen Checks.

Name _____

Position _____
(Please attach to business letterhead)

Amateur dramatics is another of his activities, and he has directed many plays. He reads assiduously, especially in the field of biography, history and finance.

★

SETH SPRAGUE, vice-president and treasurer, Hingham Trust Company, Hingham, Massachusetts, is also chief of the Hingham Fire Department and forest warden.

His interest in being a fireman started at the age of ten, when he drove his father's horses for the department and watched the men at their work. Mr. SPRAGUE joined the department at the age of 19 and has been a member ever since. He has held the positions of lieutenant, captain, deputy chief, and member and clerk of the board of engineers. He is now forest warden and chief.

The chief rarely misses a Hingham fire. On the occasion of one alarm, when he was playing nursemaid to his two-months-old daughter, he put her in a hammock in the back of the car and took her along to the fire.

★

HOWARD BRUCE, chairman of the board, Baltimore National Bank, was, for some years, master of fox hounds of the ElkrIDGE Hounds, one of the three oldest fox hunting clubs in America. He has been interested in the breeding of horses, and still finds fun and relaxation in his racing stable. More recently he has become a skilled and ardent salmon fisherman.



ORNITHOLOGIST

Above, Albert B. Stephens, whose hobby is described on page 74.

Spending his last days on Mr. BRUCE's estate in Howard County is his famous steeplechaser, Billy Barton. When Mr. BRUCE bought Billy he was a grand looking horse, but an outlaw on the tracks. Patient training and schooling developed him into a superb hunter and winner of many of the famous cross country races in America, including the Maryland, the Meadowbrook, and the Pennsylvania Hunt cups and the Virginia Gold Cup.

Billy just missed being the first American-bred horse to win the English Grand National classic. In the lead,

coming in to the last fence on that gruelling four and one half mile course, he fell but gamely got up to come in a good second.

★

GEORGE BOYLE, editor since 1919 of Lloyds Bank Magazine, *The Dark Horse*, entered the private banking firm of Brown Janson in 1894. Educated at St. Paul's, his hobbies are literature, painting and the stage. He is the author of several plays and stories. His book, *Twixt Lombard Street and Cornhill*, was described on both sides of the Atlantic as a masterpiece of the art of historical writing.

During the World War, in addition to managing an Irish War Work Fund, he turned his long stage experience to account and ran the Chevrons Club entertainments for non-commissioned officers and gave weekly performances of plays to the American troops in the Eagle Hut in the Strand.

★

OSCAR WELLS, chairman of the board of the First National Bank, of Birmingham, Ala., and a former President of the American Bankers Association, finds time to perform a multitude



Mr. Wells, President of the American Bankers Association for 1925-26

of civic duties in addition to those evolving upon the head of the state's largest financial institution. In between times he relaxes at golf.

Mr. WELLS became president of the First National Bank of Birmingham in 1915 after a distinguished banking record elsewhere. He has given and

IN THE *Morning Mail*
from an increasing number
of banks who are getting
prompt, interested service
on Atlanta Items

FULTON NATIONAL
ATLANTA *Bank* GEORGIA

continues to give invaluable service to the Department of Public Welfare and to the Community Chest. He served the latter organization as president for two years, and is now its treasurer.

Mr. WELLS is a director of the United States Chamber of Commerce and recently was made a director of the Louisville & Nashville Railroad. He was the first chairman of the Finnish relief fund in Alabama.



Above left, Clyde C. Taylor, senior vice-president of the First National Bank of Pittsburgh with a hunting companion, Frank Mellon

JOHN A. REED, president of the First National Bank of Kemmerer, director of the State Bank of Big Piney, and Wyoming's lone member of the Executive Council of the A.B.A., is keenly interested in Wyoming's sheep industry and its economic problems.

Mr. REED spends much time in personal contact with range sheep camps. He knows and is known by a large number of herders, camp movers and ranch employees. For the third consecutive year he is President of the Wyoming Wool Growers Association. He is president both of the Lincoln Feeders Corporation, one of the largest range sheep companies, comprising over 20,000 breeding ewes, and of the Continental Live Stock Loan Company.

Despite his far flung business connections, Mr. REED takes an active part in church affairs (he is a member of the Vestry of the Episcopal Church); serves as Republican State Committeeman; belongs to a number of fraternal and social clubs, and finds recreation in fishing, riding, golf and hunting.

Frequently this column learns of an outstanding record of bank service. For

example, CHARLES C. BUCKINGHAM, president, The National State Bank of Boulder, Colorado, has, for 66 years, been the head of his institution.

Rival claims are always interesting. Can anyone beat Mr. BUCKINGHAM's record?

Last Summer when CHARLES D'AUTREMONT returned home to Tucson, Arizona, from an eastern university, he evolved a plan with his father, H. H. D'AUTREMONT, president of the Southern Bank and Trust Company, Tucson,

and president of the Arizona Bankers Association. The plan was for the younger D'AUTREMONT to become secretary of the agricultural committee of the state association, without pay. Arrangements were made for him to travel over the state visiting bankers, extension workers, farmers and ranchers to see what he could do to set up a program of banker-farmer activities.

Having finished his study, Mr. D'AUTREMONT made a report with recommendations, practically all of which were adopted by the state association and became the basis of the committee's current program.

Close Contact with the Majority of Michigan's Important Industries

NATIONAL BANK OF DETROIT

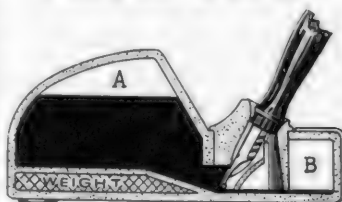
DETROIT, MICHIGAN

Member Federal Deposit Insurance Corporation

New "tip-in-ink" feature adds to ease, convenience, smoothness of writing — with
the famous **handi-pen**

UNIFORM PEN-INKING — NO FLOODING —
NO INKY FINGERS

Executives — employees — customers — all enjoy the effortless, instant writing of the handi-pen. And this new feature makes it doubly welcome on any desk. . . . Holds up to a year's ink supply, less refilling. \$2.50 to \$45.00. Beautiful new streamlined HP-6 (illustrated) \$2.75. Order now from your stationer. Or write for 10-DAY FREE TRIAL OFFER.



● Only tip touches ink. Ink can't creep up. Narrow slit feeds only enough ink for instant writing.

(Tear out and mail coupon today)

Sengbusch Self-Closing Inkstand Co.
Sengbusch Bldg., Milwaukee, Wis.

Please ship me — handi-pen sets HP-6 for a 10-day free trial, with no obligation to me.

Name

Address

City State

ASK BANKING

Prizes Every Month!

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Other questions will be answered by letter.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.

Following is the question that wins the \$5 award this month.

COMMERCIAL STATEMENTS

What is the most economical method of handling commercial account statements at the end of the month?

NOT to handle them all at one time. No matter how they are handled, nor how much the work might be distributed among the personnel of the bank, there will be an operating peak created if they are all sent out or prepared on the same day. Peaks of operations are expensive under any condition. Therefore the most economical method of handling statements is to stagger them throughout the month. If the general rule was that no statement would be prepared on Mondays, Saturdays or days following holidays, there would remain 17 days through which they could be staggered each month. In order to make such a plan most effective, however, statements should be prepared according to ledgers, half-ledgers, or quarter-ledgers, depending on the number of accounts in the bank.

As some businessmen may feel that it is necessary for them to receive their statements on a calendar month basis, and as the bank would naturally desire to comply with such requests, a large part of the value of the stagger system will be destroyed if the alphabetical arrangement of the ledgers is adhered to.

If, however, all the accounts are numbered with a system preceded by the day and followed by the individual number such as 1-419, 14-543, 25-917, the ledgers could be divided according to the days on which the statements are to be prepared. These numbers would have to appear on each check so that they

could be sorted according to such numbers and not according to name. There are different ways in which such a system of numbering could be operated, such as, for instance, having the depositors themselves insert the account number (in the way that most no-minimum-balance accounts are handled at present), having the number put on by the printer, using hand or other numbering machine in the bank itself, punching or perforating them, etc.

The vast majority of bank depositors do not mind what day of the month they receive their statements. Therefore, crowding all the work into one day is largely a bank-created peak.

METERED CHARGES

In mapping out a plan for metered service charges to replace a present flat service charge on checking accounts do you advise a good computation of a bank's own per item costs, or would it be enough to use charges used by other banks?

THE most successful banks in the installation of the so-called metered service charge measures are unanimous in stating that the greatest single con-

tributing cause to that success was an accurate knowledge of their own per item costs.

It is also an absolute fact that the average person cannot sell something to someone else until he himself is thoroughly "sold" on what he is selling. Nothing convinces a bank's officers, directors and employees of the fairness of the item charges used as does the knowledge that these charges are reasonable in the light of the costs in their own institution. To accept blindly the costs of other institutions gives no basis upon which to build either employee enthusiasm or depositor understanding. Without these the bank has only mediocre success.

True, it can increase its income by merely installing the charges and ignoring all other factors. But the most successful banks have shown that it pays not to ignore those factors. Their experience has definitely proved that the few hundred dollars' outlay required to ascertain their own costs will be returned to a bank many times over, in increased dollars collected and depositor understanding and cooperation.

(CONTINUED ON PAGE 82)

BOOKLETS

AIR CONDITIONING. *York Air Conditioners for Human Comfort.* York Ice Machinery Corporation, York, Pennsylvania. Series of leaflets describing equipment for different building needs.

PHOTOGRAPHY. *Recordak Junior for the Small Bank.* Recordak Corporation, 350 Madison Ave., New York. Some suggestions as to how a small bank can reduce operating costs through the use of Recordak Junior.

MACHINES. *An Overall Bookkeeping System.* National Cash Register Company, Dayton, Ohio. Describing a combination machine for posting practically every debit and credit transaction in a small bank.

FIRE PROTECTION. *Kills Fire . . . Saves Life.* Pyrene Manufacturing Company, 560 Belmont Ave., Newark,

New Jersey. Tells about the many classes of property for which the 1- and 1½-quart hand pump extinguisher is recommended.

OFFICE FURNITURE. *Steel Chairs.* The Harter Corporation, Sturgis, Michigan. Catalog No. 943 showing new designs of posture chairs and others of steel construction.

BUILDING. *Quality Plumbing and Heating Equipment for the Small Home.* Crane Company, 836 S. Michigan Ave., Chicago. Specifically devoted to the interests of builders and remodelers of smaller homes.

How To Have the Home You Want. United States Gypsum Company, Chicago. 116-page illustrated booklet replete with practical suggestions for the prospective home owner.

United States Fire Insurance Company of New York

Organized 1824

FINANCIAL STATEMENT AS OF DECEMBER 31, 1939

ASSETS

Cash in Banks and Trust Companies	\$5,633,953.58
United States Government Bonds	9,561,838.63
Other Bonds and Stocks	17,308,798.98
Mortgage Loans on Real Estate	261,672.51
Real Estate	368,217.38
Premiums in Course of Collection (Not over 90 Days)	1,131,357.81
Bills Receivable, Not Due	158,085.93
Interest Accrued	75,788.57
Other Assets	45,219.69
TOTAL ADMITTED ASSETS	<u>\$34,544,933.08</u>

LIABILITIES

Reserve for Unearned Premiums	\$10,217,865.04
Reserve for Losses in Process of Adjustment	1,507,397.00
Other Liabilities	761,468.39
Mortgage Reserve	50,000.00
Capital	\$2,000,000.00
Net Surplus	<u>20,008,202.65</u>
SURPLUS TO POLICYHOLDERS	<u>22,008,202.65</u>
	<u>\$34,544,933.08</u>

On the basis of December 31, 1939 Market quotations for all Bonds and Stocks owned, the total admitted assets and surplus would be increased by \$730,579.39. Securities carried at \$3,200, 590.35 in the above statement are deposited as required by law.

HOME OFFICE: 110 WILLIAM STREET, NEW YORK, NEW YORK

WESTERN DEPT., FREEPORT, ILL.

PACIFIC DEPT., SAN FRANCISCO

ALLEGHENY DEPT., PITTSBURGH

SOUTHERN DEPT., ATLANTA, GA.

CAROLINAS DEPT., DURHAM, N. C.



116 YEARS OF INSURING PROPERTY VALUES

ASK BANKING—Continued

COST OF CLEARING

Just how does a clearinghouse association arrive at a figure to show the cost of clearing an item through a bank?

ONE of the reasons for a lack of uniformity in such charges is that there are too many clearinghouses which institute them without having a definite knowledge of what the costs are. They meet numerous times and discuss the opinions of various members and finally

adopt a set of compromises. The only accurate way is for each individual bank in the clearinghouse to know its exact costs of handling each local, transit and "on us" item. These will, naturally, show a variation from bank to bank, but averages can be taken and selling prices, based on these averages, can be established. Such selling prices should include reasonable profits. Banks cannot long remain sound if they service the deposits for less than actual cost. High costs due to inefficient operating methods, however, should not be allocated to the selling prices.

EXCHANGE LOSSES

A bank has a large balance payable in Canadian dollars. If, because of the war, it decides to sell at the present discount and a large loss is suffered, possibly larger than the total profits of the foreign department, should the loss be treated as an operating loss, or should it be charged to undivided profits and treated as "other losses"?

SUCH a loss is part of the cost of operating the foreign department and is chargeable thereto. While it is true that it is an extraordinary one, nevertheless it is not one that should be charged to the bank as a whole. If it went to undivided profits it would very probably be overlooked when operating results were analyzed after a period of years, and therefore an erroneous picture of the department would be shown. A loss of this nature, whether large or small, ordinary or extraordinary, is certainly one of the exigencies of operating foreign departments. The size of the loss has nothing to do with it. It is the accounting principle that is involved. The current profit and loss account of the department can show it as an extraneous loss, with the result of operations both before and after considering it.

STOPPING PAYMENT

"A" has an account at the main office of a bank and issues a check to "B", who has an account at one of the branches, to which he presents it for payment. After the branch telephones the main office for verification and obtains its agreement to withhold the funds, it cashes the check. Next day "A" calls at the main office and wants to stop payment. As the amount has not actually been posted to his account can the bank accept the stop payment order?

NO. The mere fact that "B" kept an account at the branch at which he cashed the check is immaterial. The check was paid when the branch telephoned the main office. Reference is made to *Paton's Digest*, Volume 1 paragraph 1512 and Volume 2 paragraph 4489a. In dealing with stop payment of checks by branch bank systems courts seem to give consideration to the method of bookkeeping in use. Where the centralized system is used, the bank and its branches are considered a unit. Where each branch keeps the individual records separately, each is considered a unit for this purpose. However, in the particular case in question the check was actually paid before the stop payment request was received.

WISDOM

The guide to
**SOUND
PROTECTION**



Consult your **HOME-TOWN AGENT**

Wise management in the selection of risks and investments as well as financial stability contribute to the soundness of an insurance company. Back of Fireman's Fund's assets of \$42,000,000 and policyholders' surplus of \$24,000,000 is the accumulated knowledge of 77 years' experience. During this period over a quarter of a billion dollars has been paid in claims, reflecting the company's Strength, Permanence and Stability—your *Right to Feel Secure.*

Fire • Automobile • Marine • Casualty • Fidelity • Surety

FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE
Insurance Company

STANDARD PROTECTION
INSURANCE COMPANY

FIREMAN'S FUND
Indemnity Company

OCCIDENTAL
Insurance Company

SAN FRANCISCO

OCCIDENTAL
Indemnity Company

New York • Chicago • Los Angeles • Boston • Atlanta

OVER 11,000 HOMETOWN AGENTS

Students Ask Questions

THE student newspaper at the A. & M. College of Texas recently carried the following item:

"More than 300 people came away from the lecture room in the Chemistry Building at A. & M. recently with a better understanding of banking and the gathering of news because of having seen the film, *Money at Work*, and the talk of Henry Oliver, vice-president of the State National Bank of Houston."

After a short talk, Mr. Oliver answered questions which had been prepared in advance by students of the economics department. BANKING reprints a few of the questions below as examples of the thought-provoking stumpers that other bankers may meet when they are invited to appear, along with *Money at Work*, before groups of students and members of adult organizations.

Some of the questions:

1. What effect will the war have upon banks of the U. S.?
2. Please make the open market functions clear.
3. What about the extension of credit to foreign nations after they run out of cash under the present Neutrality Act?
4. Explain the types of taxes placed on a bank.
5. Do you think that the Federal Reserve System as operated at the present time could be used to prevent a financial collapse such as that which occurred in 1929-33?
6. Do you think that the Federal Reserve System will service and fulfill its ultimate purpose?
7. What are the possibilities of a uniform banking system managed and operated by the U. S. Government?
8. What effect has the nations' spending program had on banking?
9. Has the F.D.I.C. up to the present time been put to a real and rigid test of its strength? If the banks were to fail, could the F.D.I.C. pay off?
10. Are the banks of the U. S. anywhere near the par of 1929?
11. Are the officers of the State National Bank required to have any stock? If so are they limited to so many shares? Are there any subsidiaries to State National Bank?
12. What income or how much of each transaction does your correspondent bank receive?
13. Does your bank handle FHA loans?
14. Did your bank pay its stockholders during the years '30, '31, '32, and '33 or at any time during the depression?
15. What is the average amount of your loans?
16. How much are your employees bonded for?
17. Is most of your business from out-of-town customers or is it from the people of Texas?
18. Which class of people, that is according to income, borrow the most money from your bank?

50th ANNIVERSARY YEAR



DURING HALF A CENTURY

...the broad expanse of the Great Lakes Region has become one of the world's greatest workshops. As the Great Lakes Area has grown, so has Central National Bank. Our long experience in this area, plus our complete facilities, are available to business concerns and their banks everywhere.

CENTRAL NATIONAL BANK

of Cleveland

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

More Town Names

By T. D. MACGREGOR

Mr. MACGREGOR, of the advertising firm of MacGregor and Woodrow, told about some interesting place names in March BANKING, and these are now added to the collection.

Waterproof, La. (Pop. 420.) Founded about 75 years ago on a high spot near the Mississippi River, this place was "water-proof" in the Spring floods. However, the name and location have not been enough to protect it at all times. It has been necessary to move the town three times in 75 years. In the flood of 1927 water was two feet deep in the bank for three weeks, but business was carried on, customers coming in small boats.—BANK OF ST. JOSEPH & TRUST CO.

Frostproof, Fla. (Pop. 2500.) Early settlers and citrus growers found that the altitude and many lakes of this section afforded protection from frost. This has developed into one of the largest citrus-producing areas in the world, producing and shipping more than a million boxes of citrus fruits annually.—THE CITIZENS BANK

Forty Fort, Pa. (Pop. 6224.) At this point in pre-Revolutionary days was built the strongest frontier fort in the region, and it was here that 40 pioneer families gathered when raids by the Indians, British and Tories threatened. It was surrendered on July 4, 1778, the day following the disastrous battle of Wyoming just north of here.—FORTY FORT STATE BANK

Elysian Fields, Tex. (Pop. 321.) About 1832, when Texas was still part of Mexico, a party of Virginians headed by Major Edward Smith came here seeking a new home in the Southwest. Major Smith returned to Virginia so enthusiastic that his friends said, "You must have found the Elysian Fields." When he came back to settle he gave the place that classical name.—THE SECURITY STATE BANK

Cle Elum, Wash. (Pop. 2508.) Indians claim this was the name of ancient fisheries in the Yakima River here where they came to get the last of the salmon run before the white men came.—CLE ELUM STATE BANK

Flagstaff, Ariz. (Pop. 3891.) On the 4th of July, in 1880 or 1881, a Government survey party camped at a spring here in a circle of tall pine trees. They trimmed the branches from one of the trees and hoisted the American flag on it. From this natural flagstaff came the name of the town.—THE BANK OF ARIZONA

Pe Ell, Wash. (Pop. 891.) Named after an old Indian with some such name who lived on the prairie nearby.—NATIONAL BANK OF WASHINGTON

Plain Dealing, La. (Pop. 1412.) An ante-bellum planter by the name of P. R. Gilmer owned most of the land in this section. Owing to his honesty and plain dealing his place was called "Plain Dealing Plantation", and the community is now so incorporated.—FIRST STATE BANK

Oblong, Ill. (Pop. 1427.) Years ago there was much timberland in this vicinity, but there was an area, of which this

place is about the center, that was a prairie, oblong in shape, and that suggested the name.—FIRST NATIONAL BANK

Horse Cave, Ky. (Pop. 1259.) Indians gave the name to this place because of the legend of a warrior's two horses falling into the big cave here. The Indian saved himself by clinging to the shrubs that grew in profusion around the entrance.—HORSE CAVE STATE BANK

Blowing Rock, N. C. (Pop. 503.) A young Indian wandered near the rock and saw the daughter of a chief. He fell in love with her, but the father would not consent to their marriage. The youth was going to kill himself by jumping off the rock, but the wind was so strong that it blew him back into the arms of the girl. Hence "the Blowing Rock". The village was built about two miles from the rock.—THE NORTHWESTERN BANK

Speed, Mo. (Pop. 113.) This town and postoffice were originally named Palestine, but the railroad station was called Speed, after Austin Speed, the first conductor on the railroad. Residents had the postoffice name changed to Speed, also.—THE BANK OF SPEED

White Pigeon, Mich. (Pop. 966.) A chieftain of the Pota-wat-o-mies named Wah-be-me-be, "White Pigeon", was friendly to the whites. When he learned of an intended attack by hostile Indians he ran all the way from the present site of Detroit to give warning, which he did and then fell dead from over-exertion and exposure. There is now a monument to him on the spot.—THE FIRST COMMERCIAL SAVINGS BANK

Blue Ball, Pa. (Pop. 350.) The early German settlers at Weaverland near here said that if the Indians did not behave they would shoot them with "blaue Kugel," meaning "blue bullets". So this town where Indian trails crossed was called "Blue Ball."—THE BLUE BALL NATIONAL BANK

Gap, Pa. (Pop. 1050.) When hauling was done by wagons, the teams leaving Lancaster for Wilmington on tidewater would try to reach this "Gap in Hills" by evening. There was an old inn here. The main line of the Pennsylvania Railroad goes through this gap.—GAP NATIONAL BANK

Eclectic, Ala. (Pop. 1,000.) This community, about 100 years old, had its postoffice established in the late sixties. The citizen most influential in securing it and the one who gave away lots in order to draw new settlers around the school and church was Dr. M. L. Fielder. He named the postoffice Eclectic from the eclectic school of medicine at that time beginning to be prominent along with the homeopathic and allopathic schools.—CLARA PEARSON, Postal Clerk.

Hope, Ark. (Pop. 6,000.) This town was named after Hope Loughborough, daughter of James M. Loughborough, attorney and trustee of the Cairo-Fulton Railroad, now part of the Missouri Pacific. The story is that Miss Loughborough rode in the engine with her father on its first trip into the City of Hope.—THE FIRST NATIONAL BANK

Kit Carson, Col. (Pop. 325.) This place, of course, was named after the famous pioneer.—KIT KARSON STATE BANK

Bank Letters

"**B**USINESS letters are business getters." Yet how many banks pay as much attention to the caliber of their correspondence as they do to the qualifications of the men who are to have personal contact with customers and prospects?

One of the big New York banks does. Several years ago a senior vice-president had occasion to review the bank's entire correspondence. He found that departments often differed in the set-up of their letters, that the job of correspondence was not clearly outlined—the best man for the job often considered himself too important for mere letter writing. Routine letters sounded routine. The English used was often that of the quill pen and hand ledger era. "Yours of the 10th inst." and "Your favor at hand" were not infrequent.

The vice-president got busy. He had incoming correspondence reviewed as well, and found that sloppy, slipshod letters appeared on some of the best known financial letterheads.

Today the letters of this bank are outstanding for their simplicity, their force and their effectiveness. The bank employs a correspondence reviewer, and there has been engendered throughout the bank an awareness of just how valuable a part of selling the bank good letters may be.

THE REVIEWER'S JOB

THE first task of the correspondence reviewer was to analyze and make an exhaustive survey of the letters of each department. The concrete result of this was the installation of a separate series of guide form letters in each department. These guide form books contain standard letters with optional parts designed to take care of routine letters, which still can not be standardized enough to make it practical to multi-graph them. The writer has merely to check the desired inserts and send the notation "Letter 41, a, d, e," to the transcribing department, where each girl has a box of master copies of these letters to guide her. An example from the credit department shows the elasticity of this type of form letter:

John Jones
Your inquiry
of May 1, 1939

Our records fail to disclose any account in the name of this a) individual. b) concern. It is possible of course that he/she/it may have an account with us under c) another name. d) an undisclosed affiliation.

If you would write us again, giving more details, such as



SERVING AMERICAN BANKS IN 29 COUNTRIES

Complete correspondent services available to American banks through an extensive branch system in Canada, Latin America and Overseas.

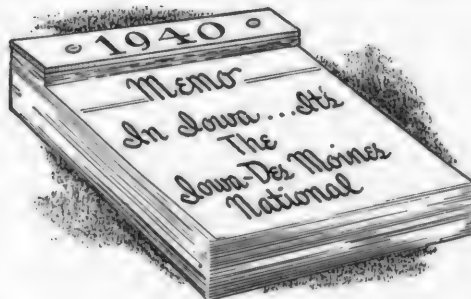
Over 600 branches in Canada and Newfoundland; 44 branches in Cuba, Puerto Rico, Dominican Republic, Haiti, British and French West Indies and 21 branches in Central and South America. Also in London and Paris. Enquiries invited.

THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$960,000,000

New York Agency, 68 William Street



BANKS and Bankers everywhere call on Iowa's Largest Bank for prompt collection service; for helpful co-operation with their customers in establishing branch offices in the Iowa area; for accurate credit information.

You are invited to use these services at all times to expedite your business in the Iowa territory.

IOWA-DES MOINES NATIONAL BANK & TRUST COMPANY

DES MOINES, IOWA

MEMBER FDIC

- e) the full street address
 - f) the time the account was opened
 - g) any possible affiliation
- we should be glad to try again.

It is estimated that 60 per cent of the correspondence of the bank can be and is taken care of by some kind of guide form letter. It should be emphasized that in many cases guide letters serve merely as models, the correspondent following the example in general outline only.

What of the other 40 per cent? It is with this group that the correspondence reviewer is primarily concerned. He gets an extra carbon copy of each individu-

ally dictated letter. If many of the same type pass over his desk he composes and installs a guide letter to cover the situation. Fundamentally, his job with this group is to instill a spirit among the correspondents that "an ounce of prevention is worth a pound of cure." To this end he has a reference library of etiquette books, books on English grammar and books on usage. Correspondents are encouraged to call the reviewer for information on ticklish points *before* a letter is written: How should a foreign diplomat be addressed? When does a singular noun take a plural verb? How should a divorcee be

addressed? What is the correct use of "due to"?

When the reviewer goes over the large volume of individually dictated letters, he notes any grammatical errors, trite expressions, faulty set-up. These are corrected or amended with the appropriate reason and returned to the correspondent, so that he may see what to avoid the next time. It is in this part of the work that the reviewer must summon all his available tact and knowledge. No one likes to have his letters criticized and he must be shown absolute proof if an actual grammatical error has been made.

The more the reviewer can do in the preventive line the more time, money, and energy is saved in the long run. Therefore he issues monthly mimeographed bulletins of frequent slips and how to avoid them. Weekly he circulates to department heads and correspondents the letters he considers outstanding for force, clarity and originality. Exceptionally good letters and current articles on usage, and contests in letter revision are prominently displayed on bulletin boards.

All this has accomplished, and is continuing to accomplish, much. Yet the reviewer knows that grammar and the principles of usage are at best only valuable tools, that academically correct letters may yet fail in their purpose of representing an organization in its most favorable light. The ultimate test of a letter is reader reaction. Aggressive or negative tones are only the reflection of the personality of the writer. It is the task of the reviewer to help those men whose personalities are compelling to make their letters equally so.

THEODORA MACGREGOR DAY

"Overdrawn! And I still haven't bought a new hat to go with my outfit! Don't you care how your depositors look?"



RENDER FROM ASSOCIATED NEWSPAPERS
BANKING

R. G. RANKIN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO

NEW YORK

WASHINGTON

THE REAL TEST

Any well-trained organization can handle routine matters efficiently. The real test of a bank's service to other banks is its ability to cope with *unusual* problems. You are cordially invited to take advantage of our long experience and our willingness to handle difficult problems.



THE NATIONAL
Shawmut Bank

40 WATER STREET • BOSTON

Member Federal Deposit Insurance Corporation

Instalment Loans in California

A BLOCK of 1,300 personal loans made by California Bank was used as a basis for a study by the bank's research department. Because the uses of consumer credit vary widely in different sections of the country and even more according to the "policy" of every individual bank, the study reflects only California Bank's experience and is not intended to suggest or imply a course of action.

The 1,300 loans studied averaged approximately \$215 each. The average loan was repayable monthly in instalments of \$18 each.

A breakdown as to occupation and average amount borrowed follows:

Proprietors of businesses.....	\$325
Professional.....	270
City and county employees.....	205
(including firemen and police)	
Office workers.....	195
School teachers.....	180
Store and factory employees.....	170
Laborers.....	155
Students (two).....	250
Too varied to classify.....	180

Loans range from \$50 to \$1,000; however, loans of less than \$100 are discouraged.

Classification of 1,300 borrowers by occupation is as follows:

Office workers.....	23.5%
Too varied to classify.....	19.0
Factory and store employees.....	16.0
Business proprietors.....	12.7
City and county employees.....	11.2
(including police and fire dep'ts)	
School teachers.....	8.5
Laborers.....	6.2
Professional workers.....	2.7
Students.....	.2
	100.0%

Loans paid before maturity: Approx.....	3.0%
Dollar volume of 1,300 loans outstanding reduced by payoffs before maturity using net amount after deduction of payments made according to terms of loan. Approx....	3.0%

Over a period of seven months studied, 174 out of 1,300 borrowers were mailed first notices, 57 were mailed second notices; 27 first notices were sent to co-makers and five demands were made on co-makers.

The bank's personal loan loss experience was .0016.

The marital status of 1,300 personal loan borrowers was:

Married.....	67.2%
Single.....	23.9
Divorced.....	5.4
Widows or widowers.....	3.5
	100.0%

The reason for these 1,300 personal loans were:

Consolidation of personal debts....	39.9%
Miscellaneous.....	18.1
Medical.....	14.6
*Operating capital for business.....	9.7
Purchase of automobile.....	8.1
Vacation.....	3.2
To refinance automobile.....	2.6
Travel.....	2.5
Education.....	1.3
	100.0%

* Most of the loans made to proprietors of small business were used for operating capital.

The study turned up several interesting "case histories" among which were the following:

To finance the purchase of ten tons of lead, an instalment loan was made to a borrower who has for 17 years been steadily employed and who in his spare time has worked up a lucrative business making lead fishing sinkers.

A steadily employed applicant with a hobby of collecting reptiles was granted a loan of \$300 for the purpose of buying a 22-foot python. For this pet, the

borrower had a four-month contract with a motion picture firm which was to pay a substantial rental and insure the snake for \$1,000. No chattel mortgage was required.

Eleven negro brothers and sisters, all living in California, send one of their number to visit the old parents in Alabama each Christmas and the one selected to go takes the gifts of the other ten and a principal gift of \$100. An instalment loan made the \$100 gift possible last Christmas.

The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to
bankers and their clients in the
Nation's Capital.

Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

Resources over \$120,000,000

Member Federal Deposit Insurance Corporation

ANNOUNCING Night Transit Service

Taking full advantage of the city's excellent transportation facilities — 39 mail trains and 15 mail planes arriving and departing daily — The First National Bank of Memphis announces a new night transit service. Items are received, handled and dispatched at night, with air mail used wherever practical, thus saving a full business day on many collections. You are invited to use this new, improved service.

The FIRST NATIONAL BANK OF MEMPHIS

MEMPHIS, TENNESSEE

Member Federal Deposit Insurance Corporation

BANKING'S *Advertisers*

April 1940

American Surety Company.....	18
Anaconda Copper Mining Company.....	73
Bank of America N. T. & S. A.....	15
Brandt Automatic Cashier Co.....	61
Burroughs Adding Machine Company.....	62
Central National Bank of Cleveland.....	83
Chase National Bank.....	9
Commercial Investment Trust, Inc.....	6
Continental Illinois National Bank and Trust Co.....	66
Crane Company.....	17
DeLuxe Check Printers, Inc.....	5
C. J. Devine & Co.....	13
Felt & Tarrant Mfg. Co.....	65
Fireman's Fund Group.....	82
First National Bank of Chicago.....	63
First National Bank of Memphis.....	87
Fulton National Bank.....	78
Gardner Bank Display Service.....	76
General Motors Acceptance Corporation.....	8
Hammermill Paper Company.....	77
Harter Corporation.....	10
Hartford Fire Insurance Co.....	75
Hartford Accident and Indemnity Co.....	75
Home Insurance Company.....	67
International Business Machines Corporation.....	12
Investors Syndicate.....	2
Iowa-Des Moines National Bank and Trust Co.....	85
George LaMonte & Son.....	48
Lamson Company, Inc.....	71
Liberty Mutual Insurance Co.....	72
Longines-Wittnauer Watch Co.....	10
Marchant Calculating Machine Company.....	14
Maryland Casualty Company.....	7
Maryland Trust Company.....	13
George S. May Company.....	Cover IV
Mercantile-Commerce Bank and Trust Company.....	68
Minneapolis-Moline Power Implement Co.....	64
Morris Plan Insurance Society.....	57
National Bank of Detroit.....	79
National Shawmut Bank of Boston.....	86
National Surety Corporation.....	4
National Union Fire Insurance Co.....	8
New York Life Insurance Company.....	11
Philadelphia National Bank.....	16
Public National Bank and Trust Co. of N. Y.....	76
R. G. Rankin & Company.....	86
Recordak Corporation.....	47
Remington Rand, Inc.....	59
Riggs National Bank.....	87
Royal Bank of Canada.....	85
Sengbusch Self-Closing Inkstand Co.....	79
W. A. Sheaffer Pen Company.....	Cover III
Standard Accident Insurance Company.....	69
Steel Storage File Co.....	10
Texas Corporation.....	76
The Todd Company, Inc.....	Cover II
United Service and Research, Inc.....	8
United States Fire Insurance Company of New York..	81

A Primer of Bank Advertising

THE advertising of an organization as such, as distinct from the more specific advertising of certain goods or services, is generally referred to as institutional advertising. From the standpoint of a commercial bank and trust company, institutional advertising often serves no direct purpose. It may even be defensive. Its more positive merits include the ability to widen or strengthen public acceptance, broaden prestige, develop impressions regarding the alertness, ability and other attributes of the management, bring the institution, its name, its location and any symbolism representing it frequently to the attention of its public, and develop a background both for specific advertising (merchandising) effort and for person-to-person contacts with regard to new business and existing relationships.

Results are not immediate and are frequently not subject to proof—the essential faith must rest upon a knowledge of means and a patient ability to reserve judgment until the program has gained full momentum.

Advertising is valuable more in proportion to its regular and consistent appearance than any other factor. Institutional advertising can be used alone, together with the advertising of specific services, or between merchandising campaigns, but it cannot be turned on and off like water—and do any good.

ADVERTISING SPECIFIC SERVICES

NO bank likes to lose caste or to decline in its relative competitive position. Thus, new business efforts, including the advertising of specific services, are frequently continued even at times when the acquisition of new business offers little or no promise of immediate profit. The advertising of specific services—sometimes referred to as merchandising advertising—can be general, like most institutional advertising, but is frequently more specific. It must be considered in relationship to the general groups of services and the particular demands of their markets; that is, the banking department, the personal trust department, the corporate trust department, the foreign department, small loan department, savings department, the branch offices and the safe deposit company—each has its own particular attributes and, especially in the larger cities, a wide divergence in size, character and location of markets.

WHAT MEDIA TO USE

THE range of this advertising is wide. It can appear in magazines, newspapers and other publications. Direct mail and statement enclosures are employed. Many banks use lobby and window displays and a few the radio. National media are suited to the advertising of an institution whose commercial banking, foreign department and corporate trust department are at least nationwide. Local or special media are more suited to the needs of the personal trust, savings and small loan departments or of safe deposit boxes. The quality of the business desired and the size of the market are among the many factors considered in selecting media. In general, it is better to concentrate the advertising effort rather than to spread it too thin and, exactly as in institutional advertising, iteration and reiteration are the key to success.

DUDLEY L. PARSONS

BANKING

BANKING'S DIGEST—APRIL 1940

A Nationwide Report of Outstanding Speeches and Comment

A Program for State Bank Supervision

ROBERT M. HANES, President, American Bankers Association, before the EASTERN REGIONAL CONFERENCE.

THE future of chartered banking depends in a great degree on the continuation of the checks and balances represented in the dual system of banking. But the dual system of banking will survive or fall according to the quality of banking and bank supervision maintained within the states.

At the last convention of the National Association of Supervisors of State Banks, the secretary of that association asserted that "if at any time the state departments fail to render the type of supervision the public interest demands, we can look for the Federal Government to attempt the assumption of all bank supervisory powers. Centralization sometimes follows that course." I agree with his assertion.

Too often does political partisanship seem to influence appointments to state banking departments. Too often is the tenure of office of the commissioner too brief. Too often are the salaries of commissioners and examiners too small to attract qualified career men.

I am happy to be able to report, however, that the quinquennial Survey of State Bank Supervision, recently completed by the A.B.A. State Bank Division, reveals improvements in this field.

"The periodic five-year surveys reflect general advancement during the past 15 years," it states, "in the creation of banking boards, extension of powers of the commissioners, provision for more adequate terms of office and salaries, the elimination of partisan politics and the provision for a sufficient number of qualified bank examiners. Notwithstanding the real and definite progress which has been made thus far, much remains to be accomplished. Until the ultimate

goal, placing supervision on the uniform and efficient basis it deserves, is attained, continued effort is necessary on the part of all those concerned in the future of state banking."

I believe the time has come for the Association to sponsor a constructive program with specific provisions aiming at greater stability in our state banking departments and higher and uniform standards of bank supervision. Such a program would seek to elevate the banking department to a position equal in importance to any other department of the state. It would provide that the commissioner or superintendent be paid a salary at least equal to that paid the highest salaried department head in the state. It would require that he be properly qualified as to character and experience. It should give him an adequate tenure of office; a term of perhaps six years. And it would subject the selection of examiners to civil service examination, or banking board examination—or, in absence of civil service or a banking board, to qualifications set forth in the law.

Our banking commissioners and examiners are conscientious public servants. I believe they would welcome such a program; that we would have their support in one which would bring greater stability to banking departments and professional status to bank supervisors, and which would lift the service of bank supervision out of the realm of political consideration. Such a program is an essential supplement to our own enlarged educational research program.

We face a challenge to make our banking system so strong and so serviceable that there will be no place for any new banking system or any opportunity for an attempt to eliminate our state chartered institutions.

To such objectives the American Bankers Association is committed.

The Future Mortgage Portfolio

FRED H. ALLEN, Mortgage Analyst, Bowery Savings Bank, New York, before the AMERICAN BANKERS ASSOCIATION EASTERN CONFERENCE.

THERE are several thoughts which may have great influence on the mortgage portfolio of the future:

First is the interesting proposition that mortgage lending may be controlled, in the future, according to actuarial standards of experience. This plan would be designed to protect the small borrower from rates which appear excessive considering the security of many small loans. I imagine that it will be also considered to answer the charge that the largest mortgage loans with the greatest risk often receive the lowest rates.

Second is the reconstruction of some of our older communities which we are facing for the first time in our history. The savings banks will be asked—indeed, they are already being asked, in this state—to contribute aggressively to this

movement which is needed to stem the tide of decentralization and blight.

Third is the proposition today that banks create and construct their own buildings, eliminating speculative builders and loaning competition.

And, fourth, is the consideration of city and neighborhood planning commissions which are growing up everywhere, often with strong, legal powers. Many of these groups seek the advice and cooperation of community institutions today, and many, because they claim not to have found cooperation among banks, are sponsoring legislation which will have direct and heavy effect on mortgage portfolios.

In short, we are about to *re-plan* our communities. The effect on our present mortgage investments is apparent.

I believe that the leadership in these great problems of real estate today should fall, not on the social workers, the chambers of commerce, the small pressure groups, but on the responsible trustees of the wealth invested in real property.

Recovery's Prerequisites

ONE of the especially interesting features at the American Bankers Association Eastern Conference was the panel discussion "Prerequisites for Recovery", in which the staff of the Economics Department of the Graduate School of Banking participated. These men—WILLIAM A. IRWIN, Assistant Director of the School, Professor WILLARD E. ATKINS of New York University, Professor MORTFORD JONES of University of Pittsburgh, and A. ANTON FRIEDRICH, Director of the Division of Unified Studies, New York University—agreed on the following prerequisites:

FUNDAMENTALLY, attention at the present time should be directed, not to who is to be the Presidential candidate, but who is going to apply something that can be called economic statesmanship. It is likewise time to recognize today that government is not playing simply with pork barrels that run into a few hundred millions; it is handling billions and its conduct is affecting the welfare of 100,000,000 people.

It is time for the businessman as well as other people to lay aside hates. If abuse is to be the order of the day, let it be done by politicians. The mounting political outcry is distracting needed attention from the tax situation, the labor situation and the ill will and suspicion which exist between various economic groups.

Despite a reasonable expectation that exports will increase somewhat because of the war, it must be recognized that recovery remains primarily a domestic problem.

Without a boost in business spending for factory equipment and housing, it is difficult to spend much of the nation's income and to make an appreciable step toward balancing the budget. The industrial

machine is operating in low gear. Unemployment is high. Excess reserves and idle funds are accumulating.

The necessary investment of venture capital in enterprise can be stimulated only by removing the penalties that the present tax system exacts from gains arising from such enterprises. In the field of taxation it is desirable to eliminate tax-exempt securities, to reduce somewhat the rate of taxation in the highest brackets of income, and to reduce the corporate tax.

These reductions should be offset by raising the taxes on incomes of \$10,000 to \$100,000.

While recognizing the need and inevitability of various forms of social security, the danger is that politicians will advocate at every election that payments be increased. To prevent social security payments from growing until they break down because of sheer cost, it is desirable that such payments be supported by income taxes collected on such a broad base that the electorate would be conscious of the cost whenever it increased.

Finally, the Wagner Labor Relations Act should be made an act of industrial peace rather than an act of industrial conflict.

All-Time High

Dr. PAUL F. CADMAN, Economist, American Bankers Association, before the EASTERN CONFERENCE.

THERE is a new spirit abroad in American industry. Released at last from that subtle censorship which has been imposed by misrepresentation and neglect, American enterprise is rising to its feet. Its shortcomings have been publicly reviewed, its failures fully aired, its virtues derided, and its efficiencies depreciated. Nevertheless, at the opening of this decade, there is evidence that it will once more assume the leadership to which it is rightfully entitled.

In the re-birth of American enterprise, banking will play a role which may well bring it to its all-time high in influence and service. This is certainly the conception of our leadership. I hear in the present program no note of defeat. We are not asked to go back to anything, either "rugged" or "ragged". I hear no admission that our economy has come to a standstill; that capitalism is dead or even in its "eleventh hour"; that value has ceased to exist; or that there is nothing in prospect but bankruptcy and despair. There is in our leadership at this moment the vision of the opportunity not only to reassert the fundamental truths about economic processes, but the chance for American banking to adjust its sights, to adapt its facilities, and to expand its services to the needs of the hour. This leadership is not devoting itself to a warning as to the impending dangers but to the im-

portance of meeting new situations, which a decade of social transition have engendered; which the collapse of world trade and the presence of world conflict have multiplied.

We enjoy a leadership that is fully aware of the worldwide attack on human rights; a leadership conscious that the enjoyment of those rights is inextricably bound to the exercise of responsibility.

On the practical side, the program envisages not only the recapture of business which has been lost, but the promotion of business which has never been enjoyed. There is a frank recognition that a great deal of banking overhead is not being fully utilized; that the facilities of banking have not been fully applied; that the opportunities for banking have not been fully explored; finally, that the role of private banking is as indispensable as the freedom of any other factor in the production and distribution of wealth.

We are on the threshold of one of those periods when there is a clearly defined and forcibly declared determination to know our business to its last detail and to bring it to an all-time high in efficiency and service.

There is the will to understand our business as a part of a new social scene. There is, in fact, the foresight which views this as one of banking's major opportunities to render perhaps the greatest service in its history in the creation and conservation of the individual and social values of our economic life.

Explore Your Community

THOMAS C. BOUSHALL, President, Morris Plan Bank of Virginia, before the Industrial Bank Section of the NORTH CAROLINA BANKERS ASSOCIATION.

BANKING in the Forties will be what bankers choose to make it. The world has ever appraised the individual and the institution at the value that the individual or the institution places upon itself. It seldom, if ever for long, rates any one or any thing above one's own self-estimate, or above its true worth.

The purpose of a bank is acting as a reservoir to receive the surplus cash wealth of a community and then make it flow back into that self-same community for constant economic and social upbuilding. There are those who differ with this simple definition. I submit to you, however, that a bank can be no sounder than its community. Whenever a bank gets too lofty in its rarefied technique to service the borrowing needs of the community that created it on a properly selective and constructive basis, the community and the bank are headed for dry-rot and eventual liquidation in one form or another.

There are some among the banking group who believe that we have but to tell our detailed story of past and present accomplishment to the people to have them accept and support banking to the full. However, today it makes no difference what we have been or what we are. The answer to the status that banking will assume in the fifties depends on what we actively undertake to achieve in the forties, not what we did in the twenties or the thirties.

How are you to get your deposits out working in the individual and separate communities so that the people them-

selves see and feel the full force and effect of useful, constructive banking service?

You must go out into your community and explore the possible uses to which credit can be usefully put. You must stimulate a desire and a demand on the part of your people to make use of a hitherto untapped source of stimulating activity and creating wealth.

You must yourselves search out the ways that your banks can be useful and merchandise that service to the people as does any other business that sells its services, its products, and its facilities. *You must explore your community, not exploit it.*

You can demonstrate to the people that their money is flowing directly back into the community, creating sales, developing jobs, paying wages, liquidating bills, remodeling homes, educating children, converting accounts receivable into new inventory bought for cash at a discount, moving goods in stock, buying new cows to add to a herd, equipping farms and kitchens with modern machinery, lightening physical effort and relieving mental worry, facilitating marriages, and bringing babies into the world.

If you have excess idle funds in your banks deposited there by people in your own community, and you have not explored every avenue in your community by which you can route those funds back into every ramification of the economic life of the individual, firm and corporation, the municipal and county functions, you will have but yourselves to blame if your people feel that it is a matter of indifference whether in future they buy baby bonds impersonally at the post office or borrow funds from a branch of a Federal agency or a federally sponsored organization.

The Legislative Job

A. L. M. WIGGINS, President, Bank of Hartsville, South Carolina, and Chairman, Committee on Federal Legislation, American Bankers Association, before the EASTERN CONFERENCE.

THE legislative task ahead is not primarily one of securing new legislation but is rather one of removing defects in present laws. And this does not mean repeal of the laws having a social or reform objective. Many of these laws are highly desirable and represent a distinctly forward step in bending democratic institutions to meet the changing needs of a people.

On the other hand, there are provisions in many laws that contribute nothing to the social objective but do restrict, hamper, and make unnecessarily difficult and hazardous the operation of business. The most important legislative job that lies ahead—a job that should command the cooperation and help of every banker and businessman—is to secure such modifications and revisions of present laws as will release the energies of private enterprise, as will inspire confidence in the future return from the investment of capital and will assure business that it will not be victimized by punitive

taxation, dictatorial control, or confiscation by governmental competition.

As we contemplate the multitude of laws that flow in an unending stream from legislative halls, to control and to regulate, to promote or to deter, to reward or to punish, to tax or to appropriate, to create or to destroy, should we not ask ourselves this very simple question, "Where do laws come from?" We may be surprised to discover that they are not the product of a congressman's nightmare, nor even of his ambition, but they spring from the needs or the demands or the desires of the people back home. Seldom is there legislation without the demand and approval of a large body of the electorate. Bills may be introduced for personal or trivial reasons, but before a bill can travel the long road to become a law, there is usually a widespread demand for its enactment.

That is the point at which the private citizen may become the law maker. And that is the place that many of us fail—banker, businessman, citizen—we refuse to exercise our ultimate responsibility in a democracy—to help create or help defeat legislation that determines the welfare of the nation. That responsibility lies on your doorstep and on mine.

It is the old trouble—too late. Too late with Czecho-Slovakia, too late with Poland, certainly too late with Finland. It is always too late or too little, or both, and that is the road to disaster.
—DAVID LLOYD GEORGE.

TODAY it is not Big Business that we have to fear. It is Big Government. The abuses that corrupted the Nineteen Twenties have been transferred from Wall Street to Washington.
WENDELL WILKIE.

A Bird's-Eye View of Consumer Credit

THE Consumer Credit Panel at the Eastern Conference of the American Bankers Association developed an interesting discussion among four experts in this field: **WALTER B. FRENCH**, A.B.A. Deputy Manager in charge of the Consumer Credit Division; **A. J. GUFFANTI**, vice-president, Springfield (Massachusetts) National Bank; **GEORGE T. SPETTIGUE**, secretary, Bankers Association for Consumer Credit; and **W. H. ROGERS**, vice-president, Geneva (New York) National Bank. Mr. FRENCH presided. Following are excerpts from their remarks.

A Permanent Approach

MR. FRENCH.—I think it would be well to bring out the fact that banks should maintain their rates of, say, 6 per cent for awhile until they have at least had more experience in the business. After all we have been in the business for only a few years.

Before we begin cutting rates, let us find out a little more about what it costs to run a small loan department. It is agreed that it is an expensive business, when we recognize that the cost of handling a \$100 loan is just the same as a \$500 loan. Another thing to remember is that when the day comes, if it ever does, that interest rates go up, what appears to be a profitable department now will seem small and unimportant then.

Here we have a situation where thousands of banks are going into this business and millions of people are availing themselves of this new banking service. Their approach to the business should be a permanent approach and they should keep it on a basis where five or ten years from now, even with a change in rates, banks will be just as anxious to grant this credit as they are today.

There is only one way to do that, and that is to see to it that the departments pay. I don't think that the rates charged in small loan departments can be changed from time to time as commercial paper rates are—not, at least, without suffering to some extent from the standpoint of the public's good-will.

Don't Make Debt Attractive

MR. GUFFANTI.—Let us consider some of the aspects of what we plan to produce. The first and perhaps the most important is availability. If we are going to serve the public we must be where they want us to be when they want us. And they must know where to go.

A business man, needing credit, has been trained by the habit of years to go to his bank. But this is not so of the personal borrower. In many cases he has been educated away from us, taught that his business was not too desirable. So we have to make it known that we will welcome a discussion on credit with him. And this brings us to the question of advertising.

It is my opinion that no bank should advertise in such fashion as could be construed to make debt seem attractive. No advertisement should contain any inducement to lead a man to borrow, when perhaps otherwise he might not. Bank advertising should be based upon the thought that each borrower should reach a decision to borrow under his own power, but when that decision is made, he should then borrow from your bank.

I believe a bank's lending policy should be aimed at getting a borrower or a purchaser out of debt in the shortest

time consistent with his circumstances. In direct lending, the maximum term should be 15 months, but most transactions should be drawn at 12 months. Plan to get your borrower out of debt at least before need of additional debt arises.

Cost Education for Borrowers

MR. ROGERS.—In marketing your loan service use advertising befitting your institution. Advertise your department in such a manner that your community will know you have a service for it, but a service that is conducted on a businesslike basis, available on sound business terms.

Don't carry to your public any impression of extremely low competitive rates or lax credit requirements. Otherwise you will receive many worthless applications and criticism from those depositors of yours who may have serious objections to instalment financing as a banking function.

We are charging the F.H.A. Title No. 1 Rate in the majority of cases and for the first year or so in developing the department advertised—"Our 5% Plan." This wording was criticized by some of our neighboring commercial banks not operating personal loan departments, so we changed our advertisements to read—" \$100 costs only \$5.26 payable in 12 equal monthly instalments of \$8.78 each—larger amounts at the same rate," and frequently give illustrative costs when advertising the financing of a certain type of merchandise or automobile. Now this accomplished two things. It, of course, eliminated the criticism that had been raised, and in addition it educated the borrower as to what his costs would be before he came to the bank. I have found that a good percentage of borrowers have a pretty good idea of their monthly payments at the time they make their application.

It has been frequently said that the borrower doesn't care what his costs are as long as he can get the money when he wants it and the instalments are within his ability to pay. Our experience has taught us that this is not true in any appreciable number of cases. The borrower, of course, is interested in his costs. It is because he is interested in knowing where he can buy what he wants—and how much it is going to cost him in dollars and cents, that our present method of advertising loan costs is by far more effective from our angle and more satisfactory to the borrower.

Stick to a Program

MR. SPETTIGUE.—No bank should engage in consumer credit on a temporary basis, or because it is expedient, or because it affords possible but not probable easy profits. The bank should lay out a long term program just as a bond portfolio is planned.

Because of the many transactions, and because of the personal elements involved, the lending officers may be inclined to break away from certain principles, which will tend to lower the standards on which these loans are made. Likewise, the senior officers in the bank may feel that certain existing business conditions require very drastic changes in general loan policies, and will extend those changes into the personal loan department. I have seen this result in a man, whose borrowings had always been very satisfactory and who was using his money for so-called left-hand savings, being asked to get a co-maker. His record was just as good as it had always been. His employment was just as well situ-

ated as ever. We were in a business decline, but it did not affect, or would not affect, for a long time, this man's employment. However, sort of a blanket rule struck the department and he had to get a co-maker had there not been a revision made in his case.

What I want to point out is that when you have spent a lot of money building up a group of customers on one basis, you cannot suddenly change the whole set up. It is going to cost more money to explain than you will avoid in losses. After all, the consumer credit borrower is to a bank's investments what a broad base is to a pyramid. We can go

farther. We can think of him as the foundation on which all our securities rest. If we have enough such borrowers, the insurance principle applies and the lending institution will sustain only its proportionate share of the losses.

Therefore, I urge you to give considerable thought to your lending program when you go into this business, and once you are in it stand by your program until you are definitely proven wrong. Then don't be stubborn. By knowing what your weak points are, correct them. Don't, however, try to adjust your loan pattern every time one of your loan committee has gotten out of the wrong side of the bed.

Bankers at Denver

This issue of the Digest went to press before the Denver Regional Conference was held. Here are excerpts from some of the addresses that were available in advance.

Brains, Not Machines

WILLIAM Z. HAYES, Active Vice-president, Republic National Bank, Dallas.

A SUCCESSFUL bank is, among other things, a well selected, smoothly functioning personnel—officers and employees. It may have ample capital; it may have a distinguished directorate; it may have every modern feature in housing and equipment, and it may be offered with rare ability. But the public at large knows the bank mainly by its contact with employees. A bank is largely what its employees make it. Employees are the custodians of the bank's good will, even to a degree, its destiny. Therefore bank management is deeply concerned in developing employees, in securing their enthusiastic cooperation.

We know now that banks are not run by machinery but by brains, enthusiasm, initiative, industry, and teamwork. And that is what the far-sighted banker looks for all down the line.

A Lesson to Remember

HARRY H. MOHLER, Vice-president, First St. Joseph Stock Yards Bank, St. Joseph, Missouri.

WE do not yet know to what extent the war will affect agricultural conditions of the United States, but the last one is not so far behind us but that we can remember the results that culminated in the collapse of prices in 1921-1922 when consumption could not absorb production at the abnormal peak to which it had been pushed by the war conditions.

We certainly have a lesson there which we need to remember, and with careful study of the fallacies of production during those frenzied days of the World War period, we must protect our customers from entering an unsound program of overproduction again, should the effects of the present European situation reach American agriculture.

Meeting P.C.A. Competition

HARRY A. BRYANT, President, Parsons Commercial Bank, Parsons, Kansas.

IN my judgment, banks will never be able to cope with this [production credit association] competition with 7 or 8 per cent money. It is generally conceded that a 6 per cent bank rate is sufficient to meet the P.C.A. rate, taking its inspection fees and other charges into consideration. So when I say

"meet their rate," I do not mean their base rate of 4 or 5 per cent.

It is true that the P.C.A. has some advantages over banks in that it does not have to be concerned about adequate reserves, about attracting deposits in order to have money to lend, about taxes to be paid and the many problems that are bothering bankers today, and they make loans for a longer period than banks have been making them.

On the other hand, if we meet the rate we have many advantages to offer that the production credit associations do not have. In many cases, their requirements are technical; the borrower must buy stock in their association; they have inspection fees that are expensive; they do not offer, as yet at least, any of the customary banking services, except the lending of money. Most borrowers, at times at least, require small advances to enable them to feed out their stock or to harvest their crop. These associations are not in a position to handle this kind of business and sooner or later the borrowers are going to realize this. Then besides, banks have the advantage of a long acquaintance with their customers and if our public relations have been good, we have a decided advantage over a mere agent for the production credit association.

I am confident the desirable loans that have gone to the production credit associations can be recaptured, provided again, that we meet the rate and go after these desirable loans as strongly as they did to get them away from us.

No Magic in Research

MAURICE BREIDENTHAL, President, Security National Bank, Kansas City, Kans.

PUBLIC acceptance of banking is determined by group results and group behavior and not by results obtained or the behavior of each individual bank. The future of the independent unit bank will not be decided in Washington, but by you and me in our home towns. It will depend upon two things—whether you make your bank indispensable to your community and whether you are able to do this and at the same time operate your small unit at a profit. The attainment of this result calls for alertness and constant research and analysis in banking methods.

There is no magic in the words research and analysis. Of themselves they will not perform any miracles for your bank, even in this day of kaleidoscopic changes in our former economic beliefs. By means of research and analysis, however, it is possible for us to develop facts and assemble information on sound operating policies which, if mixed with a little ordinary common sense and applied in a selective way to your bank and your community, will produce profitable results.

At the Eastern Conference

On these two pages are short excerpts from addresses at the American Bankers Association Eastern Conference.

Productive Time

E. S. WOOLLEY, Bank Analyst.

THERE are two less productive man-hours per week this year than there were last, and there will be two less productive man-hours next year than there are this. This means that if there are 100 employees on the payroll there will be 200 less productive hours per week, or about 10,000 less productive hours this year than last with a further reduction of another 10,000 next year.

This reduction of productive time will in most cases increase production costs. The extent, however, to which it will increase actual dollar costs depends on how operating conditions are adjusted to meet it. If these operating methods are allowed to remain much as they were 40 years ago the increase in dollar costs will be considerable. If, on the other hand, modern methods are used, these costs may actually be decreased.

It is true that machines can, and rapidly are, replacing man from the shoulders down, but they can never replace man from the shoulders up. And man is worth what he is worth from the shoulders up and not from the shoulders down.

Machines can never solve the many unsolved problems of humanity. It needs the Steinmetzes of the world to do that.

If Saving Stopped

HAROLD F. CLARK, Professor of Educational Economics, Columbia University.

TODAY many people tell us that in order to increase economic welfare we must spend all we have. What would happen if everyone did begin to spend all of his income for consumption goods? What if saving did stop in the United States for a decade or two?

Our capital plants would deteriorate, our railroads would run down, our manufacturing plants would wear out and we would soon be back on a very much lower level of economic welfare. If this process were continued for a century or two we would be back almost to the level of a primitive self-contained agriculture, he declared.

Each on Its Own Bottom

L. W. BISHOP, Cashier, State-Planters Bank & Trust Company, Richmond.

THROUGH simplification of forms and systems, and through the better organization of our staffs, we can make tremendous progress in reducing costs of our two products, service and credit, so as to market them at the lowest possible figure.

There has never existed in the history of the American banking system a greater need for us to survey our operating methods, procedures, systems and forms and to study our personnel.

The need is emphasized and heightened by the necessity for economy. Scarcity of acceptable loans with resultant low rates on prime paper and high-grade securities has adversely affected bank earnings. Gone indeed are the days when banks could lend every dime of their funds at what now

seems an exceptionally good rate. Gone indeed are the days when many unprofitable bank operations were more than absorbed by the income from larger loans and discounts, with high rates of interest.

The banking mode today is quite different. It is becoming more and more necessary in banking circles to have each operation stand on its own bottom. We can no longer expect or allow the good accounts to absorb the loss on the unprofitable ones. Real economy demands a practical, systematic management of the affairs of our banks.

Schools and Thrift

J. W. STUDEBAKER, U. S. Commissioner of Education.

MY carefully considered opinion as an educator is that the schools have a definite and far-reaching obligation to teach the value of saving to young Americans. Schools have an opportunity in cooperation with the banks and bankers to provide the incentive and the methods to make this teaching realistic and practical. The possibilities of inflation, the economic effects of unused capital accumulations, and other similar technical considerations should not distract us from the main ideas in plans for school savings; which are (1) that the habit of prudent saving, in whatever small amount, is one of the most valuable habits which young people can learn; (2) that banking institutions are service institutions, providing a convenient and safe depository for savings; and (3) that banks perform an indispensable economic service in thus pooling small savings for investment in larger enterprises. Thrift in accumulating money is the keystone in the arch of our modern capitalistic structure.

Public Works

THOMAS S. HOLDEN, Vice-president, F. W. Dodge Corporation.

PUBLIC improvements of every kind are just as vital needs for the American people as are the needs for better housing facilities. If, as I firmly believe, our future economic expansion lies in the direction of creating more civilized facilities for family and community living, then we have to find sound ways of financing many kinds of public works. It is patently absurd to say this cannot be done, when we have ample man-power and materials and planning technique and construction organizations to carry out programs that would modernize and, in due course, transform every community in the country. Up to this moment, both government and private finance have failed to work out a satisfactory long-range plan for public works financing, or, in lieu of that, to prove that present means are adequate. Here is a field in which the dynamic potentialities of modern finance need to be demonstrated.

Liquid Assets

LESLIE R. ROUNDS, Vice-president, Federal Reserve Bank of New York.

IT is suggested that any bank having mixed deposits should at all times be in a position to liquidate promptly and in full its demand deposits. To make this possible it might be required to maintain at all times liquid assets equal to not less than, say, 115 per cent of its demand deposits. For this purpose liquid assets should be defined as cash,

governments and commercial and customer paper which is both eligible and acceptable to the reserve bank for discount. Possibly it might also include a limited per cent of other high grade and short term bonds. This liquidity would be provided by the demand deposits themselves.

Therefore the position of the savings depositors would not be injured if the demand deposits were paid out even though at the same time restrictions were in force for the savings deposits. As a part of such a program and to make it possible to maintain sufficient liquidity to pay out the demand deposits, the bank should impose restrictions on savings deposits whenever the ratio of liquid assets to demand deposits dropped below 115 per cent.

Under such a system would not both classes of depositors be fairly and equitably dealt with, each without prejudice to the other and with safety to the bank?

A Field for Missionary Effort

FRANK P. BENNETT, Editor, *United States Investor*.

THE fact seems clear that we simply are not developing periodic visits by depositors to the savings bank, and that there is an immense amount of worthwhile work for us to do along this line. We won't be working in that case in a constantly diminishing area, as we must necessarily be when we hold out arms of invitation primarily to those who have no savings accounts today. We will be working in a very broad area that has no practical limits discernible to our vision.

No banker who is in favor of getting as many new genuine savings accounts on his books as possible, as most of us are, can raise valid objection to similar increments of money representing periodic and persistent thrift on the part of his present depositors. For the truth is that savings banks exist quite as much to induce men to keep on saving as to induce them to make the initial plunge. My plea is that we convert our present random savers into persistent, periodic savers.

A Salesminded Staff

WILLIAM J. MARTIN, President, Granite Trust Company, Quincy, Massachusetts.

HOW many banks there are where one can enter and inquire in regard to some property which that bank may have for sale and be met with ignorance and indifference. It is interesting to step into an institution where one is not known and check its attitude by such an inquiry. Very frequently the whole bank policy is laid bare by the answers you receive, or the lack of them. We endeavor to make our organization, in its entirety, salesminded. It so happens that at this moment we are engaged in a final clean-up of real estate. Our program is based on the Spring interest in home ownership. We announced that special awards would be made for each sale negotiated as a result of efforts of any one of the personnel. We thought it wise to make other than lump sum cash awards where sales were effected. The awards are based on vacations with all expenses paid, enabling our successful employees to plan boat trips, world series trips and the like. To each employee the amount paid on a sale will be approximately the same as a real estate broker would be paid for making the sale and it has been our experience that there is far more appeal in the all-expense extra vacation than in the payment of a stated commission.

In furtherance of our plan we printed booklets listing the properties and breaking down the payments. Each property is listed with full information including a photograph.

Sound Merchandising

THE field of foreclosed properties provides a beautiful example of one department of banking where a little streamlining pays dividends.

We should tackle the problem in the light of new conditions. An adjustment to those conditions, the employment of sound merchandising methods, a little intensive pioneering, and my belief is that the liquidation of our foreclosed real estate as a major problem will cease to exist.

—Mr. MARTIN.

It is our intention to issue frequent bulletins giving sales helps and emphasizing the favorable features of the properties, in addition to giving the contestants in our bank information on where the successful employees spent their vacations.

To achieve the goal which we have set, we must, of necessity, depend on the wholehearted interest and cooperation of our employees, but thus far we have found that the rewards to the individual arising from this contest have paid substantial dividends.

The Business You Want

MERRILL ANDERSON, President, Merrill Anderson Company, New York.

THE question is: what can you do to hold your own, and go forward. First, decide what business you want. That seems obvious, but you know of cases where banks run advertising and engage in solicitation that brings in business on which they cannot possibly make a profit. You have a semi-public institution and of course you accept some business that you do not want. I have no protest against that: but why ask for it? Many a man who could have been a satisfactory personal loan customer or checking depositor has been persuaded to give a bank his trust business on which it was destined to lose money.

Get the facts that will enable you to decide what business you want in your community. Then make up your mind—and go after it hard. Let your competitors have the business you don't want.

How are you to decide what you do want? Should you add new departments or new services? How can you tell?

Why not start right at home? Why not develop just the type and extent of banking service that your community, by actual analysis, tells you it needs? Visit all the worthwhile manufacturers, wholesalers and retailers in your area, and find out how they handle their money problems; how their customers pay them; how they get funds together to pay their suppliers. There's a credit situation there. Perhaps it's one where you can logically be of service. In the first nine calls you may not find one situation that offers much promise; but the tenth may give you an idea that will earn real dividends for you—and meanwhile, if you have handled the first nine in the right way, your bank is better understood and more highly respected than before.

That's half your survey. The other half is to take a complete list of all the services rendered by banks anywhere in America; go over that list with your pencil and see if it gives you any ideas for your own situation. You will find some hot potatoes on the list that will amuse you. Perhaps, however, two or three that would have been badly suited to your operations a few years ago, would fit in excellently today.

A Positive Program

A. G. BROWN, Deputy Manager, Agricultural Credit Department, American Bankers Association, before the EASTERN CONFERENCE.

IN exploring the provisions of a positive program, a page has been taken from the experience of many institutions, resulting, I hope, in a helpful compendium of earning and service possibilities which will challenge the interest of the country banker and the confidence of the people he serves.

Such a program is, indeed, the enunciation of the bank's board of directors, who, although charged with the responsibility of the institution's welfare, too often is not called upon to assume the leadership in banking to which it is entitled. The country bank of which I am speaking has an active board of directors, one that recognizes its own and its officers' limitations in the making of loans and the buying of bonds. This board expresses a "loaning and investment policy"; it recognizes the need for proper and sufficient credit information concerning the bank's borrowers. It wants to understand its operations, the sources of its earnings, and the "wherefor" of its expenses. It is anxious to maintain a high morale among its employees, and it believes in paying good wages. It wants to know how correspondent relationships with city banks can be more mutually helpful. It senses the need for cooperating with Government credit agencies and with all farm organizations, including the extension departments of the state universities, the Farm Bureau, the Grange, and the Farmers Union. In fact, this bank's board of directors actually "directs" and in the end provides an institution which is a money maker for its stockholders, pays decent salaries to its employees, extends the proper quality and quantity of credit to all worthy folks, and is considered

by the people of the community to be as nearly indispensable as any other institution in it.

This board of directors meets regularly each week, at which time it considers for approval all the new loans made for the previous seven-day period, all loans maturing in the approaching week, the bank's expenses, its bond purchases, and similar matters. It charges the real responsibility of the bank's management to an executive committee, consisting of the senior officers (in this instance, the president, the vice-president, and the cashier) and two outside members of the board—one business man and one farmer—who, living in the community, are easily available. This committee meets every morning at 8:00 o'clock; it approves new loans made the previous day, gives instructions concerning those maturing, and considers all pending applications for credit.

This bank's board of directors believes that by enunciating a management program which acknowledges its direct responsibility for the bank's progress, it is limiting its own liability as well as that of its officers. Such a management program, which these directors dignify by spreading on the minutes of the board, is recognized by all as a conservative guide. It provides for:

(1) Increased local loans; (2) a credit file for every loan; (3) decreased outside investments; (4) simple, understandable service charges; (5) improved personnel; (6) a thorough understanding of the bank's operations; (7) a knowledge of the requirements and operations of all Government lending agencies; (8) cooperation with the extension departments of the state agricultural colleges; (9) the bank as the center of all community activities; (10) publicizing the program of the board of directors and keeping the public currently informed of the bank's progress.

*T*ODAY we seek a moral basis for peace.—President FRANKLIN D. ROOSEVELT.

*I*T is to attain just such an aim (as outlined by President Roosevelt) that we have taken up arms. We intend to fight until it has been secured.—Prime Minister CHAMBERLAIN.

I AM at a loss to understand how any intelligent citizen of any of the world's neutral democracies can state with conviction that he has no interest in the outcome of this war. Whether he recognizes the fact or not, his future and the future of his children's children are in all probability at stake.—JAMES H. R. CROMWELL, U. S. Minister to Canada.

*I*T was a lovely voyage.—JOHN C. TOWNLEY, Captain of the "Queen Elizabeth."

*P*EACE has thus returned to this country. But what a peace!—FOREIGN MINISTER TANNER OF FINLAND.

*T*HE paradox of starvation in the midst of plenty illustrates the nature of our difficulties. This paradox will not be resolved by technical skill or scientific data. It will be resolved, if it is resolved at all, by wisdom and goodness.—ROBERT M. HUTCHINS, President of Chicago University.

*I*F in time of peace we have to sell abroad to safeguard our standards of living, in wartime we have to do so even more to safeguard our very lives.—R. S. HUDSON, British Secretary of Overseas Trade.

*W*HAT we are suffering from now is a plethora of money rather than a shortage of anything.—WINTHROP W. ALDRICH, Chairman of the Chase National Bank.

*I*F you want a short war you must be prepared for a long one.—DAVID LLOYD GEORGE.

*W*HAT I am anxious about is what is going to happen in the future. Have you considered what will occur after the war?—Queen ELIZABETH.

*I*T is not an exciting war, but a deadly war.—ANNE MORGAN, President of the American Friends of France.

*O*UR fate is hard now that we are compelled to give up to an alien race, a race with a life, philosophy and moral value different from ours, a land which for centuries we cultivated in sweat and labor. Yet we must put our shoulders to the wheel in order that we may preserve the soil left to us at home for those rendered homeless and an improved livelihood for all.—Field Marshal BARON MANNERHEIM of Finland.

*W*E have lived for 2,000 years only because there were always men ready to stake all and, if necessary, sacrifice all for the common weal. But these heroes did not give their lives thinking thereby to free later generations of a like obligation. The achievements of the past would all be in vain if a single generation were lacking in strength or the will to make equal sacrifices.—Chancellor HITLER.

able

at
ade
the
ses,
the
g of
ice-
the
g in
eets
ade
ose
dit.
iat-
rect
own
ent
the
tive

an;
md-
ugh
e of
ling
s of
r of
a of
in-

ney
CH,

ong

the
?—

AN,

p to
oral
ulti-
s to
s at
tood
l.

ways
for
ives
ion.
ngle
qual

ING